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GEORGIA TO EXPERIENCE SLOW GROWTH THE NEXT TWO YEARS

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Summary

Despite a decline in the unemployment rate to less than 6% in 1986, Georgia's economic expansion has slowed noticeably this year. Durable manufacturing is showing minimal change, with weakness surfacing in the machinery sectors. Little growth is expected in durable goods in the next two years as well. Nondurable activity slowed sharply early in the year, but improved competitive conditions are generating a strengthening performance for textiles and food processing. Apparel remains weak, however. More substantial gains are expected for nondurable manufacturing during the next two years.

Employment growth has slowed significantly for the communications industry as a result of consolidation of long distance carriers. Modest growth is expected in transportation during the next two years as a result of moderate expansion of international air flights from Hartsfield airport. The economy has also slowed in the trade sector, as retail trade has trended toward sustainable levels from unusually vigorous rates of employment gains in previous years. A slowing also has occurred in the finance and service sectors, although finance should continue to generate robust job gains. The service sector has not slowed as sharply as earlier figures indicated, but the unusually rapid rates of service job gains recorded in previous years are no longer developing.

In fact, employment gains in 1986 will be greater than originally projected, but much of this increase is the result of stronger construction employment in 1986 than previously anticipated. The construction slump will start more slowly than previously expected, but a significant decline in construction employment appears likely over the next two years. Therefore, stronger than previously anticipated employment gains do not lead to stronger projections of Georgia growth in the next two years.

Georgia is expected to create 75,000 jobs in 1986, a further 51,000 jobs in 1987 and an additional 53,000 jobs in 1988. Georgia's gross state product should increase 3.5% in 1986 before slowing to less than 2.5% in 1987. A rebound to 3.5% gains in 1988 is anticipated.

Data Revisions

Recent revisions in Georgia's personal income show more rapid gains for nonfarm personal income in 1985 than originally projected. These revisions are associated with general data revisions nationwide. In general, Georgia personal income was adjusted upward by a magnitude similar to upward adjustments for the nation as a whole. As a result, Georgia remained 2.27% of total national personal income in 1985. Income was revised upward sharply for nonfarm proprietors and was revised downward slightly for wage supplements. Upward revisions were substantial for farming, mining, construction, retail trade, and

services. Personal income was revised downward for manufacturing, wholesale trade, and transportation. The level of property income also was lowered while transfer payments were increased sharply. Nonfarm personal income was revised upward by slightly more than $2 billion. Moreover, the growth of nonfarm personal income was revised upward from 8.7% to 9.5% in 1985.

Property income currently is only 80% as significant to the Georgia economy as it is in the nation. Also, transfer payments are only 89% as important in the Georgia economy as it is nationwide. Thus, the Georgia economy remains much more sensitive to changing economic conditions than the national economy. This suggests that Georgia's business cycles will be of greater magnitude than those experienced nationwide. Fortunately, Georgia has not experienced as many business cycles as the nation.

Population estimates also have been revised slightly. In 1985 the resident population in Georgia increased 2.38%, slightly above the 2.29% previously estimated.

Recent Conditions

Although the Georgia drought has received a great deal of attention, and grain losses in excess of $200 million were realized, agricultural income in Georgia will not fall as dramatically as previously estimated. The major reason for more favorable performance in agricultural earnings is a profitable year experienced by the poultry industry. In addition, many of the cattle and hogs that were liquidated as a result of rising feed costs were sold in a relatively profitable economic environment. The impact of the drought upon the forestry industry still remains unmeasurable, as the forests have been weakened by drought conditions. This makes the forests more susceptible to tree blight and also raises the possibility that a severe winter will sharply increase forest losses. The magnitude of this lost forest value remains problematical, however.

Fortunately, rains were above normal in the usually dry fall. Lakes still remain dramatically below normal levels, but some improvement has developed. It appears reasonable to assume that the drought's impact will not be noticeable in 1987 economic activity in Georgia.

During the spring Georgia's nonfarm personal income increased 1.3%, considerably above the 1.0% nationwide. However, growth was heavily concentrated in the construction industry, while a previous rapid expansion in service payrolls no longer was evident. Indeed, the service economy grew more slowly in Georgia than nationwide during the spring. Fortunately, some firming in textiles began developing, leading to improvement in manufacturing payrolls as compared to further erosion in manufacturing payrolls nationwide. Although nonfarm personal income slowed significantly in Georgia, it slowed even more dramatically nationwide. As a result, Georgia ranked 14th in percentage gains in personal income.

After stumbling through the spring, Georgia's economy picked up significantly in the summer. Farm cash receipts, which reflect a significant surge in the value of poultry, showed little evidence of the summer drought. Corporate tax accruals and hours worked also rebounded significantly. Other coincident indicators contributed smaller amounts to the coincident index, but all indicators were positive both in August and September. According to the

coincident indicators, the Georgia economy expanded at a 3.8% rate during the summer months as compared to a 2.4% increase for the nation. Over the past twelve months, the Georgia economy after inflationary adjustments appears to have increased 3.9%.

The leading indicators also performed favorably during the summer, although future conditions do not appear to be developing as favorably as the current rebound in activity. Unemployment claims increased, while consumer spending and residential permits weakened modestly. Surprising strength developed for nonresidential construction in September while state revenues also experienced a significant advance. The work week turned in its largest expansion of the year. The surprising strength in construction contracts should not persist very much longer. Therefore, the leading indicators may continue to show decreasing rates of gain through the fall.

The ratio of coincident to leading indicators suggests that current economic conditions are growing slightly more rapidly than can be sustained. Therefore, some slowing in the growth of the Georgia economy should be anticipated early in 1987. Nevertheless, none of the indicators is revealing any signs of impending employment declines in the Georgia economy.

Following a decline in seasonally adjusted nonagricultural payrolls in Georgia during the spring, payrolls rebounded at a seasonally adjusted 3.9% rate in the summer. Manufacturing continued to weaken with sluggishness surfacing in the transportation and machinery sectors. However, the weakness in transportation was related to temporary strike activity that since has been settled. Nondurables weakened sharply in apparel and the rubber products included in other nondurables, but activity began strengthening in food processing and textiles. The printing industry continued to expand moderately.

Employment strength was largely caused by significant expansion of construction employment, sharp increases in retail payrolls, continuing moderate growth in finance payrolls, and a sharp rebound in business services. State and local employment also increased modestly. This 3.9% expansion in payrolls compares to a gain of 2.4% for the nation, suggesting that state product rebounded more sharply than national product in the third quarter.

Weakness continued to materialize in the construction related industries and in electrical machinery during September. However, transportation equipment rebounded sharply while construction payrolls continued to move strongly forward. A rebound in food processing continued to develop but most other nondurable goods activity showed little trend. Transportation, retail trade and business services all continued to show strong gains in September but government payrolls showed little movement. On balance, employment showed a continuation of vigorous growth at the end of the summer quarter in Georgia.

Retail sales in the South Atlantic region were not as robust relative to the nation during the summer as in the spring. Nevertheless, the South Atlantic states outperformed the nation by nearly 2 percentage points. While no retail sales information is available for Georgia, sales increases by department store types of merchandisers in Atlanta showed an increase of 7.3% over the first three quarters of 1986 in comparison to a 6.9% gain for comparable stores nationwide. However, activity had accelerated, with the year-over-year performance in Atlanta showing a gain of 11.9% as compared to only a 9.2% gain for the nation. Taxable sales for Georgia increased 6.0% from the previous

year, as compared to a 5.9% gain in the previous quarter. Price changes for taxable goods increased less than 1% as gasoline prices continued to fall. Thus, the volume of sales increased approximately 5% from previous year levels. This is comparable to the 5.1% projected gains for employment in retail establishments, suggesting that no further imbalances in retail activity developed in 1986.

When estimated service expenditures are combined with gains for taxable sales, consumer spending appears to be growing slightly in excess of 6.5%. This compares to an increase in disposable income of slightly more than 7%, suggesting that the savings rate rose slightly in Georgia even as it declined sharply nationwide. Although consumer purchasing power remains adequate in Georgia, previous excesses in retailing suggest that slowing in the growth of retail employment will materialize during the next two years. However, there is little likelihood that an outright slump in retail activity is on the horizon.

In the last two months, consumer prices in Atlanta increased 0.1% while they were expanding 0.2% nationwide. In the past year, inflation was 2.3% in Atlanta as compared to 1.6% nationwide. It now appears that the Atlanta CPI will increase 2.5% for the year, about 0.7 percentage points higher than nationwide. In 1987, the Atlanta CPI should increase 3.5%, comparable to national gains. By 1988, the Atlanta CPI is expected to accelerate to a 4.5% gain, comparable to anticipated gains in the nation.

In the latest two months, grocery store prices rose a sharp 2.4% nationwide but an even sharper 3.7% in Atlanta. As a result grocery store prices are currently 7.6% above previous year levels in Atlanta while only 4.4% higher nationwide. Menu prices in Atlanta increased only 0.3% in the last two months as compared to a 0.5% gain in the nation, but this is little solace for a 7.4% increase over the year as compared to 3.8% in the nation. Prices of alcoholic beverages increased only 4% in Atlanta as compared to 5.9% nationwide, but prices rose 0.5% in the past two months as compared to no change in the nation. Housing costs slowed in Atlanta, but still are 4.2% above previous year levels as compared to 2.8% nationwide. Rents increased 1% both in Georgia and in the nation in the latest two months with Atlanta prices up a sharp 7.4% over the previous year as compared to 5.4% in the nation. On the other hand, clothing prices rose 1.3% in the nation and are 0.8% above a year ago in comparison to an increase of 0.9% in Atlanta and a decrease of 5.4% from the previous year. Transportation costs, which include gasoline, fell by comparable amounts in Atlanta and the nation. Medical costs, which are up a sharp 7.6% nationwide are up an even sharper 10.4% in Atlanta. Moreover, prices rose 1.8% during the latest two months in Atlanta as compared to a 1.2% gain nationwide. The gap between entertainment price increases in Atlanta and nationally narrowed, but entertainment still is up 4.2% from a year ago in Atlanta as compared to a 3.4% gain in the nation. In summary, prices at the grocery store, housing costs, and medical care all have increased much more sharply in Atlanta than nationwide. Partially offsetting this disturbing inflation is a dramatic fall in clothing costs in comparison to modest increases nationwide.

Unemployment in Georgia fell below 6% in August and remains 0.7 percentage points below previous year levels. It is also 0.7 percentage points below the nation, which experienced only a 0.3 percentage point improvement in its unemployment rate from previous year levels. Regardless of whether two Georgias exist, Albany certainly is not in the same Georgia as the other metropolitan areas. During the past year the unemployment rate in Albany increased 3.1

percentage points and now stands at a recessionary 12.3%. The next poorest performance is in Columbus, with an unemployment rate of 7.4%. However, this is a 1.4 percentage point gain from the previous year. Columbus created more than 3300 jobs as compared to a loss of 1600 jobs in Albany. Savannah created nearly 6000 new jobs in the past year but the unemployment rate is still a high 6.5%, only a 1.1% improvement from the previous year. Now that construction is actively occurring for the Fort Howard paper facility, Savannah's unemployment rate should dip toward the 6% level. In the past year Augusta created 4000 jobs, causing the unemployment rate to dip marginally to 6.1%. However, several important employers will be leaving the Augusta area, causing an increase in unemployment over the next few months. The strongest improvement in unemployment occurred in the Macon area, with a 1.6 percentage point decline and the creation of nearly 5000 additional jobs. New industry moving into Macon suggests that strong employment gains will continue to push unemployment rates downward in that area. Athens registered a 0.6% improvement in the unemployment rate to 5% over the past year as 3000 additional jobs were created. Unemployment should remain near that level over the next year. Similiarly, unemployment should remain near the 4.8% level in Atlanta over the next year. According to the household surveys, Atlanta created 87,000 new jobs in the past year, causing unemployment to fall by 0.3 percentage points. The Atlanta and Georgia household estimates show much larger employment gains than those measured by the payroll figures. The payroll estimates may continue to understate employment growth in the state.

Georgia's insured unemployment rate remained at 1.7% throughout the summer. Insured unemployment also remained unchanged at 1.1% in Atlanta. This compares with a continuation of a 2.8% insured unemployment rate nationwide. Thus, little change occurred in unemployment of the skilled labor force in Georgia or Atlanta.

The Georgia thrifts showed more concern about construction activity by reducing their forward commitments by 16.7% in the past quarter. This compares with more seasonal declines of 7.5% for the nation and 3.6% in the remainder of the southeast. Georgia deposits were growing slower than in the southeast, expanding 0.8% as compared to 1.8%, but deposits nationwide declined 0.3%. This more cautious attitude for Georgia thrifts appeared to be aiding an improving balance sheet. Georgia regulatory net worth increased 10.5% as compared to a gain of 4.3% for the southeast and a miniscule gain of 1.4% nationwide.

Effective mortgage rates have fallen 0.9 percentage points in Atlanta in the past year as compared to 1.08 percentage points nationwide. However, mortgages in September were an effective 9.97% in Atlanta as compared to 10.11% in the nation. Housing prices have increased dramatically both nationwide and in Atlanta. In the nation housing prices were up $16,300 to $112,500. In Atlanta the price increase is $28,000 to $132,100. Mortgage rates are expected to show little movement for the next 15 months averaging near 10% into 1988. Rates then are expected to rise modestly during 1988.

Following three months of relatively poor revenue gains, projections of state revenues for the current fiscal year must be revised downward to only 7.5%. During the first three months of this new fiscal year revenues increased only 5.9%. This compares with gains of 6.4%, 8.7%, 8.4%, and 11.4% in previous quarters. The rebound in September was only 6.2% over previous year levels. The next fiscal year probably will show an identical 7.5% rate of increase. While these revenue gains do not suggest serious problems with state finances,

they indicate that few new initiatives will be able to be funded in the next fiscal year.

Most of the slowing in state revenues is the result of a significant slowing in sales and use tax collections. In the latest quarter they were only 3.0% above previous year levels. This compares to gains of 7.2%, 5.5%, 7.5%, and 9.4% in previous quarters. It also compares unfavorably with a gain of 7.9% for all state and local governments. In previous quarters, all state and local governments showed sales tax increases of 5.7%, 6.2%, 6.6%, and 9.0%. In comparison, personal income receipts were up an acceptable 8.9%. In previous quarters, gains in personal tax receipts were 12.4%, 17.0%, 10.4%, 13.5%, and 7.9%. All state and local governments showed an increase in personal income of 6.7%. In previous quarters, personal income receipts for all state and local governments rose 3.9%, 5.2%, 7.6%, and 7.6% respectively. During the first fiscal quarter corporate tax accruals increased 7.5%. This compares with declines of 6.5%, and 6.9% in previous quarters. Prior to those declines, corporate accruals rose a sharp 15.1%, 15.8%, and 18.3% respectively. Corporate profits for all state and local governments showed an estimated gain of 5.8%. This compares with increases of 10.5%, 4.0%, 12.7%, and 2.2% in earlier quarters. Of course, weakness in sales tax collections may reflect a temporary increase in savings by Georgia consumers. When data becomes available for the automobile sales surge in the fourth quarter, more dramatic increases in tax collections should develop. Certainly, the return to corporate profitability bodes well for improving economic conditions in Georgia in the months ahead.

Summary of Outlook

Signs of improving manufacturing employment in Georgia began surfacing during the third quarter as textile eimployment improved modestly. Economic growth exceeded national gains in the third quarter, registering more than 3.8% rate of advance. However, productivity showed minimal change during the quarter. Corporate tax accruals have switched into positive territory, but moderate productivity gains suggest that large positive gains are not likely in the months ahead. For 1986, economic activity in Georgia should expand 3.5%. Growth is expected to slow to a 2.5% rate in 1987 before rebounding to more than a 3.5% growth path in 1988.

Tax reform and a serious overbuilding condition in Atlanta should lead to a significant slump in construction employment during the next two years. Some of the slack will be picked up by strengthening employment opportunities in the Savannah and Macon area, but there will simply not be enough construction work to absorb the current level of employees. Relatively weak performance also is expected for the machinery industries, although a modest rebound should materialize in 1988. Construction related activities also are expected to show substantial weakness during the next two years. As a result, durable manufacturing will provide minimal job growth in Georgia during the next two years.

Fortunately, improvement in American competitiveness abroad will begin to create job opportunities for nondurable manufacturing. The modest rebound in textiles is expected to be reversed, as improvement in the yarn and thread operations will be offset by a cyclical peaking in the carpet industry. The apparel industry is showing substantial weakness which will only gradually reverse itself in 1988. All other nondurable manufacturing except the insignificant leather industry should show significant employment gains during

the next two years. The paper and printing industries once again will lead the way, although significant expansion is now expected for food processing as well.

Employment gains in the service sector will gradually slow over the next two years. Transportation will continue to show strong employment gains, but consolidation in the communications industry will hold down the TCU sector. Retail sales no longer appear to be out of balance with retail employment, but reduced gains in personal disposable income will lead to more modest expansion in retail employment opportunities. On the other hand, continued consolidation of financial activities should sharply improve employment opportunities in all financial endeavors. Part of the slowing in the financial sector will be diminished opportunities for real estate brokers, however. Services growth should continue to slow from the boom conditions that developed in 1984 and 1985. However, reasonably strong gains are anticipated during the next two years.

On balance, employment opportunities will grow at reduced rates over the next two years, but the Georgia economy shows little signs that recessionary conditions could spread beyond the construction and machinery industries. Indeed, substantial gains in foreign affiliated employment acitivities suggests that manufacturing could generate more jobs than currently projected. In addition, some aerospace relocations to the Macon area provides employment opportunities for transportation equipment and related endeavors.

Nevertheless, 1987 will be a transition year in Georgia as it will be nationwide. Weakness in construction will begin to undermine purchasing power, causing a slowing in retail sales growth. This will be reflected in relatively tight budgetary conditions which may lead to slower gains in government payrolls than in previous years. In addition, relatively subdued inflation during 1986 will lead to relatively subdued wage gains in 1987. In effect, the Georgia economy will act more like the national economy during the next two years. As Georgia was performing far in excess of national conditions over the past three years, this slowing relative to the nation will surprise many Georgia businesses. On the other hand, the worst appears to be now for the Georgia farm economy. The poultry industry is showing substantial financial health, while row crops are in total disarray. A rebound in farm earnings is anticipated over the next two years.

SLOWER BUT SUBSTANTIAL EMPLOYMENT GROWTH REMAINS ON ATLANTA'S HORIZON

Recent Conditions and Outlook

Despite strike activity, which constrained the growth of payrolls and transportation equipment, total payrolls in the Atlanta area expanded a seasonally adjusted 6.8% during the summer months. Much of the surge was in construction, which benefitted from unusually dry weather. However, mining activity also expanded while textile and printing facilities in the Atlanta area showed employment gains.

In the important service economy, all sectors showed a significant third quarter expansion. The service economy surged in the third quarter following little change during the second quarter. More moderate employment gains were

registered for the finance and transportation sectors. Retail trade also showed a sharp rebound. In addition, unsustainably rapid gains appeared for durable wholesale activity. Some slowing in that sector now appears to be inevitable.

Construction now is 6.2% of the Atlanta work force. This is a level that can be justified only if employment gains remain above 3.5% per year. Thus, excess construction activity would materialize even if current vacancy rates were acceptable. In fact, tax reform legislation will sharply increase the burdensome nature of unoccupied construction product. However, many projects continue to require significant construction input into the early months of 1987. Thus, the construction slump will become more apparent in the second half of 1987 and in 1988, when construction employment should fall more than 5%.

According to the Coldwell Banker survey on office vacancies, Atlanta remains below the national average. However, vacancies rose to 15% in downtown Atlanta and to 20.7% in the suburbs. Nationwide, downtown vacancies fell to 16.7%, although the suburban indices did rise to 23.8%. Metropolitan vacancy rates in Atlanta jumped from 18.8% in June to 19.6% in September. This compares with a national increase from 21.1% to 21.5% over the comparable period. Price weakness is beginning to become evident in rental concessions, where the standard rental rate for class A space has now fallen toward $18 per-square-foot, and in the price of property. Some newly constructed property currently is selling at less than construction costs. Although absorption rates look surprisingly robust, much of that absorption remains unoccupied. Apparently, many large leases have been written because of favorable terms. In effect, the apparent rapid absorption in 1986 is occurring at the expense of absorption in the next two years. Given the increase in construction activity in Atlanta, where more than 9.5 million-square-feet are currently actively under construction, vacancy rates probably will increase beyond 26% for suburban Atlanta and also approach 20% in the downtown plus mid-town areas.

Not only is the story bleak for commercial office space, but it has deteriorated dramatically for industrial space in Atlanta, where vacancies reached a record 5.7% in September. Moreover, the vacancies are now higher than in the nation, where vacancies dipped from 5.7% in June to 5.5% in September. Activity remains brisk in the industrial sector, suggesting that vacancy rates could rise to 7% before building slows significantly.

Population growth rates should slow gradually as employment opportunities gradually diminish in the Atlanta area. As a result, potential absorption of the housing market should slow over the next few years. This absorption is based upon household formations and assumes that current inventory levels are desirable. Because tax reform will sharply reduce the desirability of multi-family vacancies, actual housing needs will fall 4-6000 below estimated potential in 1987 and 1988. Based upon the population estimates and our current projections for housing activity in the metropolitan area, the housing market will generate an excess supply of units through 1988. This supply will be diminishing as a result of a sharp reduction in the construction of multi-family units. Nevertheless, rental rates will not rise sufficiently to replace lost tax advantages until the end of this decade. This also means that the value of rental properties will not appreciate significantly over the next few years.

Single family construction activity has slowed in recent months, especially in north Fulton and Cobb counties. This slowing should persist into 1987 before a modest rebound begins in 1988. A sharp rebound in multi family permits in

Gwinnett in recent months is surprising in light of reports that vacancy rates exceed 20% in that county at the present time. Vacancy rates metrowide are 8%, which would be normal in the absence of tax reform. Housing activity is showing significant vigor in Henry county and also showing some expansion in Douglas. Clayton county has been experiencing vigorous gains and may be currently overdoing its multi family activity.

Revisions in personal income statewide are not yet available for the Atlanta area. As a result, our procedure shows a reduction in the share of Atlanta personal income to the state's level. However, when the revisions are made for Atlanta, this result may again be reversed. Certainly, recent data indicates that wage income in metropolitan Atlanta is 54% of all wage income in the state. Of course, more than $1.2 billion of those wages are being received by workers who have residences outside the 18-county metropolitan area.

Disposable income in Atlanta probably increased 8.5% in 1986. Therefore, the slowing in taxable sales to only a 7.4% gain over previous year levels in the second quarter is surprising. Either convention traffic was surprisingly weak or Atlantan's sharply increased their savings in the spring. Moreover, the slowing in sales tax receipts was surprising in light of an acceleration in the performance of Fulton county and Dekalb county. The slowing was especially pronounced in Gwinnett county, where sales are only 8.6% above previous year levels. While this still exceeds the 7.9% gain recorded for Cobb and Cherokee, this is a dramatic slowing from the nearly 30% gains in the previous three years. Aside from modest gains in Dekalb and Fulton, only Forsyth and Paulding showed any significant rebound in taxable sales. These sales results definitely show that a dramatic slowing in Gwinnett's growth has, at least, temporarily materialized.

In summary, growth appears to continue in the southside counties and in the major concentrations of the Atlanta metropolitan area. However, growth has decidedly slowed in Gwinnett county and on the northern part of the metro area. Some of the problems with continued growth in that area may be the overbuilding of high priced homes and a significant inflation of land prices. In the next two years development in Atlanta may move to the south and west. At the same time, total growth in the Atlanta metropolitan area will be slowed by significant contraction in the construction industry. Every important construction indicator is flashing an overbuilt sign for Atlanta. On the other hand, retail employment has slowed along with retail sales. Although a significant expansion of department stores has led to an especially competitive retailing environment, only a modest slowing is anticipated in the growth of retail employment opportunities. Despite the overbuilding that will dramatically slow construction activity over the next two years, sufficient employment gains are expected in the service and manufacturing economies to preserve reasonably robust employment opportunities. Nevertheless, Atlanta's growth will be only half as vigorous in the next two years as it was earlier in this economic expansion.

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Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts Through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.0	8.3	8.6	8.5	2.5	3.8	3.6	-1.2
2. Construction	145.6	155.9	152.7	147.3	10.7	7.1	-2.1	-3.5
3. Manufacturing	554.3	556.4	556.9	562.6	1.4	0.4	0.1	1.0
Durables	217.6	218.8	217.8	220.4	4.8	0.6	-0.5	1.2
Lumber	35.3	34.6	33.8	33.5	3.8	-1.9	-2.3	-0.9
Furniture	11.9	11.8	11.6	11.6	8.2	-0.4	-1.7	0.0
Stone, Clay, Glass	19.7	20.5	20.5	20.4	4.8	4.3	0.0	-0.5
Primary Metals	16.5	16.5	16.7	17.1	1.9	0.3	1.2	2.4
Fabricated Metals	20.6	20.8	20.9	21.1	1.5	0.8	0.5	1.0
Nonelectrical Machinery	25.6	25.5	25.0	25.4	5.8	-0.4	-2.0	1.6
Electrical Machinery	27.0	27.2	26.6	27.5	1.9	0.8	-2.2	3.4
Transportation Equipment	48.8	50.3	50.9	51.6	10.7	3.1	1.2	1.4
Other Durables	12.2	11.6	11.8	12.2	-1.6	-4.5	1.7	3.4
Nondurables	336.6	337.6	339.1	342.2	0.8	0.3	0.4	0.9
Food	58.7	59.3	60.4	61.2	2.6	1.0	1.9	1.3
Textiles	100.9	101.8	102.1	101.4	-3.8	0.9	0.3	-0.7
Apparel	71.0	71.2	70.5	71.1	-5.5	0.2	-1.0	0.9
Paper	30.3	30.6	30.9	31.9	1.3	1.0	1.0	3.2
Printing	33.9	34.9	35.4	36.0	10.1	3.1	1.4	1.7
Chemicals	19.3	18.9	19.0	19.3	2.1	-2.1	0.5	1.6
Leather	1.6	1.5	1.5	1.4	-5.8	-4.7	0.0	-6.7
Other Nondurables	20.9	19.4	19.3	19.9	2.5	-7.2	-0.5	3.1
4. Transportation, Comm. & Utilities	162.4	165.5	168.7	173.4	3.8	1.9	1.9	2.8
5. Trade	648.0	674.9	696.2	716.7	7.6	4.2	3.2	2.9
Wholesale	198.0	201.9	205.4	209.3	5.5	2.0	1.7	1.9
Retail	450.0	473.0	490.8	507.4	8.6	5.1	3.8	3.4
6. Finance, Ins. & Real Estate	137.1	143.0	149.0	154.5	6.9	4.3	4.2	3.7
7. Services	463.1	483.3	500.6	517.9	6.8	4.4	3.6	3.5
8. Government	447.3	454.0	459.9	464.3	1.2	1.5	1.3	1.0
Federal	94.1	96.0	96.9	97.8	5.1	2.0	0.9	0.9
State	104.4	104.7	105.2	105.5	0.6	0.3	0.5	0.3
Local	248.8	253.3	257.8	261.0	0 4	1.8	1.8	1.2
Total Wage & Salary Employment	2565.8	2641.3	2692.6	2745.2	4.8	2.9	1.9	2.0
Unemployment Rate	6.5	5.9	6.2	6.5	8.3	-9.2	5.1	4.8

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Table 2 Georgia Personal Income for 1985 and 1986 with Forecasts Through 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52161	55425	59252	10.3	7.3	6.3	6.9
2. Other Labor Income	4615	4964	5287	5651	10.1	7.6	6.5	6.9
3. Proprietors' Income	5223	5680	6347	6724	1.5	8.7	11.7	5.9
Farm	683	474	813	908	-37.6	-31.0	71.5	11.7
Nonfarm	4540	5206	5534	5816	12.0	14.7	6.3	5.1
Labor & Proprietors' Income:								
1. Farm	833	629	976	1083	-33.0	-24.5	55.2	11.0
2. Mining	286	291	311	318	2.3	1.6	7.0	2.3
3. Contract Construction	3876	4365	4404	4376	11.5	12.6	0.9	-0.6
4. Manufacturing	12072	12594	13038	13653	7.1	4.3	3.5	4.7
Durables	5409	5842	6019	6322	10.7	8.0	3.0	5.0
Nondurables	6663	6752	7019	7331	4.6	1.3	4.0	4.5
5. Transportation & Utilities	5478	5693	5977	6389	8.8	3.9	5.0	6.9
6. Trade	11562	12386	13141	14061	12.4	7.1	6.1	7.0
Wholesale	5495	5906	6249	6686	13.0	7.5	5.8	7.0
Retail	6067	6480	6892	7375	12.0	6.8	6.4	7.0
7. Finance, Ins. & Real Estate	3592	4208	4670	5133	18.0	17.1	11.0	9.9
8. Services	10604	11635	12775	14076	13.3	9.7	9.8	10.2
9. Other Industries	256	284	311	339	12.9	11.0	9.6	9.0
10. Government	9889	10720	11456	12199	7.6	8.4	6.9	6.5
Federal Civilian	2501	2593	2709	2843	9.0	3.7	4.5	5.0
Federal Military	1421	1504	1629	1774	3.6	5.8	8.3	8.9
State & Local	5967	6623	7118	7582	8.0	11.0	7.5	6.5
Plus:								
Property Income	10257	10642	11206	12293	8.1	3.8	5.3	9.7
State U.I. Benefits	211	216	248	273	7.7	2.4	14.8	10.1
Other Transfers	9656	10234	10654	11314	8.1	6.0	4.1	6.2
Residence Adjustment	-218	-240	-253	-270	25.5	10.1	5.4	6.7
Less: Social Ins. Contributions	3392	3683	3956	4466	15.3	8.6	7.4	12.9
Equals: Total Personal Income	74960	79974	84958	90771	8.8	6.7	6.2	6.8
Nonfarm Personal Income	74127	79345	83982	89688	9.5	7.0	5.8	6.8
% of U.S. Nonfarm	2.27	2.30	2.31	2.33	-	-	-	-
Population	5976	6103	6224	6337	2.38	2.12	1.98	1.82

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Economic Forecasting Project
November 1986

Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts Through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.7	1.6	9.0	20.8	13.3	-5.9
2. Contract Construction	73.4	81.5	82.6	78.3	15.4	11.0	1.3	-5.2
3. Manufacturing	183.0	184.8	187.7	191.5	4.4	1.0	1.6	2.0
Durables	95.4	97.5	98.8	100.9	7.1	2.2	1.3	2.1
Lumber	4.3	4.3	4.3	4.2	13.2	-0.6	0.0	-2.3
Furniture	4.9	4.8	4.6	4.6	6.5	-2.0	-4.2	0.0
Stone, Clay, Glass	9.3	9.9	10.0	9.9	6.9	7.0	1.0	-1.0
Primary Metals	7.0	7.6	7.7	7.9	9.4	8.2	1.3	2.6
Fabricated Metals	9.2	9.2	9.1	9.3	4.5	0.3	-1.1	2.2
Nonelectrical Machinery	10.2	10.2	10.3	10.7	6.3	-0.2	1.0	3.9
Eiectrical Machinery	13.7	14.0	13.6	14.5	3.8	2.4	-2.9	6.6
Transportation Equipment	31.3	32.5	34.1	34.5	9.4	3.8	4.9	1.2
Other Durables	5.6	5.0	5.1	5.3	5.7	-10.3	2.0	3.9
Nondurables	87.5	87.3	88.9	90.6	1.5	-0.2	1.8	1.9
Food	20.2	19.6	20.1	20.5	1.5	-2.7	2.6	2.0
Textiles	7.7	7.4	7.4	7.2	-8.3	-4.2	0.0	-2.7
Apparel	12.6	12.4	12.0	12.1	-4.5	-2.0	-3.2	0.8
Paper	8.5	8.5	8.7	8.9	1.2	0.3	2.4	2.3
Printing	21.3	22.3	23.2	23.9	7.5	4.9	4.0	3.0
Chemicals	9.8	10.0	10.3	10.5	5.4	2.6	3.0	1.9
Other Nondurables	7.4	7.1	7.2	7.5	1.4	-4.4	1.4	4.2
4. Transportation, Comm. & Utilities	104.6	107.0	109.4	112.5	4.2	2.3	2.2	2.8
5. Trade	364.4	379.8	396.0	409.2	7.9	4.2	4.3	3.3
Wholesale	131.5	135.6	140.3	142.8	6.0	3.1	3.5	1.8
Retail	232.9	244.2	255.7	266.4	9.0	4.7	4.7	4.2
6. Finance, Ins. and Real Estate	89.4	93.0	95.9	99.4	8.5	4.0	3.1	3.6
7. Services	278.5	292.4	306.3	320.6	7.7	5.0	4.8	4.7
8. Government	177.0	182.2	185.9	189.4	1.5	2.9	2.0	1.9
Federal	38.3	39.5	39.9	40.5	6.1	3.1	1.0	1.5
State	35.3	35.4	35.6	35.7	0.3	0.3	0.6	0.3
Local	103.5	107.3	110.4	113.2	0.5	3.7	2.9	2.5
Total Wage & Salary Employment	1271.5	1322.2	1365.5	1402.5	6.5	4.0	3.3	2.7
Unemployment Rate	5.0	4.5	4.8	5.1	4.2	-10.0	6.7	6.3

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts Through 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26676	29017	31229	33595	12.4	8.8	7.6	7.6
2. Other Labor Income	2726	2966	3206	3453	11.8	8.8	8.1	7.7
3. Proprietors' Income	1796	2020	2190	2321	10.7	12.5	8.4	6.0
Farm	87	46	93	99	-14.5	-47.1	102.2	6.5
Nonfarm	1709	1974	2097	2222	13.3	15.5	6.2	6.0
Labor & Proprietors' Income:								
1. Farm	103	64	113	120	-13.0	-37.9	76.6	6.2
2. Contract Construction	1852	2158	2251	2200	16.2	16.5	4.3	-2.3
3. Manufacturing	4875	5167	5427	5738	9.7	6.0	5.0	5.7
Durables	2871	3147	3298	3492	13.0	9.6	4.8	5.9
Nondurables	2004	2020	2129	2246	5.3	0.8	5.4	5.5
4. Transportation & Utilities	3830	3995	4206	4497	9.2	4.3	5.3	6.9
5. Trade	7555	8134	8741	9378	13.0	7.7	7.5	7.3
Wholesale	4305	4676	5031	5378	13.5	8.6	7.6	6.9
Retail	3250	3458	3710	4000	12.4	6.4	7.3	7.8
6. Finance, Ins. & Real Estate	2624	3065	3368	3698	19.6	16.8	9.9	9.8
7. Services	6334	6986	7754	8638	14.2	10.3	11.0	11.4
8. Other Industries	148	163	179	194	11.4	10.2	9.5	8.6
9. Government	3877	4271	4586	4906	8.2	10.2	7.4	7.0
Federal Civilian	1118	1172	1226	1294	11.0	4.8	4.6	5.6
Federal Military	222	234	252	271	3.0	5.6	7.6	7.8
State & Local	2537	2865	3108	3341	7.9	12.9	8.5	7.5
Plus:								
Property Income	5338	5605	5936	6541	8.6	5.0	5.9	10.2
Transfer Payments	3209	3411	3575	3807	8.0	6.3	4.8	6.5
Residence Adjustment	-1181	-1268	-1270	-1239	15.3	7.3	0.2	-2.5
Less: Social Ins. Contributions	2016	2219	2414	2742	17.4	10.1	8.8	13.6
Equals: Total Personal Income	36548	39532	42452	45736	10.9	8.2	7.4	7.7
Nonfarm Personal Income	36445	39468	42339	45616	11.0	8.3	7.3	7.7
% of Georgia Nonfarm	49.17	49.74	50.41	50.86	----	---	---	---
Population (#,Thousands)	2472	2559	2645	2730	3.84	3.52	3.36	3.23

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 5 Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	85-3	85-4	86-1	86-2(r)	86-3(p)	Sept(p)	85-3	85-4	86-1	86-2(r)	86-3(p)	Sept(p)
Total	2575.4	2601.8	2629.4	2621.1	2646.0	2656.8	1279.0	1292.2	1301.0	1310.8	1331.9	1333.7
Mining	8.0	8.0	8.1	8.0	8.5	8.6	1.3	1.2	1.2	1.3	1.6	1.7
Contract Construction	143.3	151.9	154.0	154.6	157.2	158.8	73.1	77.1	75.0	81.2	84.5	85.2
Manufacturing	552.5	558.3	566.2	554.5	551.4	555.0	183.1	184.3	187.2	184.0	183.2	185.3
Durables	217.2	219.3	224.1	218.1	215.7	218.3	95.7	96.8	99.1	97.5	95.8	97.8
Lumber	35.2	35.4	35.5	34.9	34.1	34.0	4.4	4.3	4.2	4.3	4.3	4.3
Furniture	12.1	12.0	12.1	11.8	11.8	11.7	5.0	5.0	4.8	4.9	4.9	4.6
Stone, Clay, Glass	19.7	20.0	20.5	20.4	20.7	20.6	9.4	9.7	10.0	9.8	10.0	10.0
Primary Metals	16.6	16.4	17.0	15.9	16.7	16.6	7.1	7.2	7.8	7.1	7.7	7.7
Fabricated Metals	20.6	20.9	21.2	20.7	20.5	20.7	9.3	9.3	9.3	9.3	9.2	9.1
Nonelectrical Machinery	25.5	26.1	26.7	25.2	25.0	25.1	10.2	10.5	10.2	10.3	10.2	10.0
Electrical Machinery	26.9	27.0	28.0	27.5	26.9	26.5	13.8	13.8	14.5	14.3	13.8	13.5
Transportation Equipment	48.2	50.0	51.2	50.2	48.4	51.5	30.5	32.0	33.1	32.5	30.8	33.6
Other Durables	12.3	11.6	11.9	11.5	11.6	11.6	6.0	5.0	5.2	5.0	4.9	5.0
Nondurables	335.6	338.8	342.1	336.4	335.7	336.7	87.4	87.6	88.1	86.5	87.4	87.5
Food	58.6	59.3	60.0	58.4	59.2	59.6	20.0	20.2	20.1	19.4	19.5	19.6
Textiles	100.2	101.1	102.3	101.2	102.0	101.9	7.7	7.3	7.4	7.2	7.5	7.4
Apparel	70.5	71.4	72.8	71.5	70.2	70.2	12.5	12.5	12.8	12.3	12.2	12.1
Paper	30.3	30.4	30.9	30.6	30.5	30.5	8.5	8.6	8.5	8.5	8.5	8.6
Printing	34.2	34.6	34.9	34.8	35.0	35.1	21.4	21.8	22.1	22.2	22.5	22.6
Chemicals	19.3	19.4	19.2	18.7	18.8	18.9	9.8	10.1	10.1	9.9	10.1	10.1
Leather	1.6	1.5	1.6	1.6	1.4	1.5	----	----	----	----	----	----
Other Nondurables	20.9	21.2	20.4	19.6	18.6	19.0	7.5	7.1	7.1	7.0	7.1	7.1
Transportation, Comm. & Util.	162.6	163.6	165.3	165.0	165.5	166.1	104.7	105.3	106.5	106.6	107.3	107.5
Trade	653.5	658.4	666.7	671.0	680.0	682.3	368.3	370.6	371.2	376.8	384.9	385.2
Wholesale	198.7	200.3	200.6	200.6	202.7	203.8	132.2	134.0	132.7	134.4	137.5	137.8
Retail	454.8	458.6	466.1	470.4	477.3	478.5	235.3	237.3	238.5	242.4	247.4	247.4
Finance, Ins. & Real Estate	138.2	139.8	142.1	141.8	143.7	144.4	90.5	91.1	92.6	92.5	93.2	93.7
Services	466.0	472.8	472.6	473.5	484.6	490.4	280.1	286.0	285.3	285.9	295.0	295.5
Government	448.4	449.1	454.4	452.7	455.1	451.2	177.9	176.7	182.0	182.5	182.2	179.6
Federal	94.3	95.8	98.4	96.6	95.3	96.0	38.1	38.5	40.4	39.8	38.8	38.9
State & Local	353.9	353.5	356.0	356.1	359.8	355.2	139.5	138.3	141.6	142.7	143.4	140.7

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1986

Table 6 Metro Atlanta Housing Permits for 1983 through 1985 with Forecasts Through 1988

	1983		1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	----	---	66	4	60	0	60	0	55	0
Cherokee	1172	14	1466	28	1632	155	2400	220	2660	200	2650	170
Clayton	1269	6	1143	576	1408	1424	1550	1670	1410	1200	1350	760
Cobb	5986	4243	6365	3095	6140	2576	6200	2960	6000	2130	6160	1710
DeKalb	3119	4371	3227	2965	3591	3397	4000	3000	3860	2480	3650	1830
Douglas	658	6	533	8	705	186	840	240	850	150	890	120
Fayette	----	---	----	---	692	0	760	0	750	0	800	0
Forsyth	463	14	609	57	720	74	760	75	740	40	770	20
Fulton	2634	2252	2979	3680	3198	3992	3200	4200	3000	3500	2950	3000
Gwinnett	5980	3226	5977	6155	7117	3911	6250	3750	6010	2930	6120	2520
Henry	602	18	656	56	902	123	1340	140	1460	170	1420	200
Newton	----	---	----	---	311	14	360	75	350	50	390	50
Paulding	----	---	----	---	718	0	950	10	1040	10	1050	20
Rockdale	437	144	623	83	692	120	1010	350	1040	300	1100	200
Walton	----	---	----	---	286	0	330	0	350	0	370	0
Total	22320	14394	23653	16703	28178	15976	30010	16690	29580	13160	29725	10600
% Change From Previous Year	+60.2	+129.8	+6.0	+16.0	+10.6	-4.5	+6.5	+4.5	-1.4	-21.2	+0.5	-19.5
% Change in Total (single + multi)	+81.7		+9.9		+3.9		+5.8		-8.5		-5.7	
Estimated Potential Absorption (000)	33.0		40.6		48.0		43.9		43.4		42.9	

Note: The 1983 % change figures do not include Marietta. Totals for 1982 do not contain Marietta. Marietta figures are included in 1983 totals and beyond. Condominiums are included in the multi-family totals. Fee simple town homes are included in the single-family category. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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Georgia & Atlanta

Five-Year Georgia Forecast 1987–1988

Economic Forecasting Center
Georgia State University, College of Business Administration, February 1987

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

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SMALLER BUT RESPECTABLE EMPLOYMENT GAINS SEEN IN GEORGIA OVER THE NEXT TWO YEARS

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Director
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Atlanta, Georgia

Summary

Data revisions reveal that Georgia's economy did not slow as dramatically as originally reported in 1986. Nondurable manufacturing, aided by a strong rebound in textiles and continued strength in printing rebounded from a 1985 slump. Also, continuing strong growth in the financial and service sectors helped generate employment gains of 4.1% in 1986 as compared to gains of 2.9% projected on original data. Manufacturing growth is expected to continue over the next two years even as construction begins to fall and service employment gradually grows more slowly. The recent surge in wholesale trade employment will add to employment gains in 1987 but should not generate significant gains in 1988. Nevertheless, projected employment gains of 3.4% in 1987 and 2.4% in 1988 compare with projected gains of 2.5% and 2.1% for national employment.

According to the coincident indicators, the Georgia economy ended vigorously in 1986 with economic growth exceeding previous year levels by nearly 6% in December. This compares with only a 2.2% rate of growth nationwide. Our indicators also suggest that the Georgia economy expanded after inflation about 4.7% in 1986. This again compares favorably with a 2.5% gain for the nation. While such estimates appear to be unusually vigorous, they are consistent with the upward revision in Georgia employment for 1986 and with personal income estimates, which show Georgia personal income exceeding the nation by 3 percentage points in 1986. Because of weakness in construction, slower growth is expected in the next two years. However, Georgia's state product should grow nearly 4% after inflation in 1987 before slowing to slightly less than a 3% rate of growth in 1988.

Although slower growth is expected in the next two years, the creation of 89,700 additional jobs in 1987 will be more than sufficient to absorb new entrants into the labor force, leading to a reduced unemployment rate of 5.5%. Activity in 1988 will slow to only 66,000 new jobs, causing a slight increase in unemployment to a still respectable 5.8%.

Data Revisions

Georgia's employment profile improved significantly under the latest employment adjustments. The largest revision was in the services category, where employment was revised upward by more than 22,000 and the rate of change was revised upward from a previously projected 4.4% to a 7.8% growth path. The growth path also was revised upward significantly for the finance area to 6.2% from 4.3%. The rate of growth for construction also was revised upward, as actual construction employment in 1985 was reduced while construction employment in 1986 was increased. This suggests that construction currently has more momentum than originally projected and will not decline on average in 1987.

In manufacturing, employment was revised upward by more than 8000 jobs in 1986 with the bulk of those jobs occurring in textiles, printing, and food processing. The machinery industry also experienced significant upward revisions while primary metals was much weaker than originally estimated.

According to the newly revised seasonally adjusted employment profile, employment activity continued to strengthen as the year progressed. The year ended with especially strong employment gains developing for mining, construction, transportation equipment, textiles, printing, and wholesale trade. Some slowing is expected in wholesale trade during the latter half of 1987 along with the construction sector. However, the employment momentum in both of these sectors currently is so strong that activity will be higher in 1987.

Although data revisions generally reveal a more vigorous Georgia economy than reported earlier, some industries were revealed to be weakening. The metals industry showed significant weakness, with much of the job loss occurring in primary metals. Apparel may have begun rebounding in December, but the quarterly data continues to show an uninterrupted rate of decline. The chemicals industry also weakened in Georgia. The communications and transportation sectors showed weakness in the fourth quarter, although transportation spurted nicely in the summer. Employment by local governments also stuttered in the fall, probably under the burdens of lost revenue-sharing.

On balance, the data revisions revealed a healthier Georgia economy, growing more vigorously than in the nation. The employment data now is more consistent with the personal income data, which revealed Georgia as growing nearly 3 percentage points more rapidly than the nation. Also, if our coincident indicators are close to the mark, productivity gains in Georgia probably are more robust than in the nation, although gains in output per employee are still less than 1% in the state. (They were virtually unchanged in the nation).

Recent Conditions

According to seasonally adjusted employment gains in Georgia during the fouth quarter, economic activity strengthened noticeably. Employment gains were at an annual rate of 5.7% as compared to a 3.1% preliminary gain for the U.S. There are some signs, however, that the growth spurt slowed slightly in December.

Activity strengthened noticeably for durable manufacturing, construction, wholesale trade, and services employment. Also the strength in durables was in transportation equipment, which rebounded from strike activity earlier in the summer. A model changeover at the Lakewood automobile plant in Atlanta will significantly slow transportation equipment employment during the first half of 1987, but employment gains should resume during the second half of the year. Layoffs at a major airline and at communications centers for long-distance calling stalled the upward momentum of the transportation group. Substantial employment gains are anticipated in this group during 1987 once these employment adjustments are completed.

Despite a third monthly reduction in farm cash receipts in Georgia, the Georgia coincident indicators showed a surprisingly vigorous 0.8% gain in December. Much of the strength was concentrated in corporate tax accruals,

which have rebounded significantly for six months. As mentioned above, Georgia's economy appears to be generating more productivity gains than nationwide and this is resulting in better employment opportunities for Georgia firms. Georgia companies have not yet registered above average valuation gains on the stock exchanges, but a continuation of this pattern almost certainly ensures that such valuation improvements soon should be forthcoming. More modest gains were recorded in real bank deposits, hours worked, and reductions in the quantity of unemployment claims and the insured unemployment rate.

Although the end of year spurt in economic activity in Georgia certainly is welcome, our leading indicators suggest that it may not be sustainable. During the past three months, the leading indicators have increased only 0.3%, or about one-third of normal gains in a healthy economy. Initial unemployment claims and state revenues both contributed negatively to the leading indicators. Although consumer activity remains strong, as evidenced by sales tax accruals, construction permits were flat. However, nonresidential construction orders grew vigorously in December, but changing tax laws probably will prevent any further significant gains from developing as the new year commences. The work week continued to improve, however, suggesting that further employment gains still are likely. Because of a significant slowing in the leading indicators even as the coincident indicators have begun to accelerate, the capacity for sustaining current economic expansion is dwindling significantly. Thus, economic growth in Georgia should slow significantly by the spring. However, significant gains in manufacturing should develop through the year, preventing any serious correction in Georgia's employment opportunities.

In a footnote to the drought, the Georgia economy has been spared a significant amount of value loss in its forests. Serious winter weather only occurred two weeks this year, preventing any serious kill to the severely stressed lumber stands. Thus, previous concern that the drought's lasting effects would severely cripple the Georgia lumber industry are beginning to ease. The unusually mild weather has also increased the supply of poultry and eggs. The result has been a sharp reduction in the profitability of these industries as overproduction once again becomes a likely prospect. Poultry profitability still should be noticeable in 1987, as demand for chicken is growing nearly as fast as production. However, egg producers probably will have a long year ahead of them.

During the summer months, the last period for which personal income data is available, nonfarm personal income in Georgia grew 1.7% as compared to 1.0% for the U.S. Most of this differential was the result of stronger wage and salary incomes in Georgia. Despite effects of the drought, farm income in Georgia declined only 15.6% during the summer as compared to a 50.5% decline nationwide. A rebound in poultry income may be largely responsible for this surprising differential. Personal income gains from the previous quarter were especially vigorous for contract construction (5.7% versus 2.3%), durable manufacturing (1.1% versus 0.1%), finance (3.6% versus 3.1%), and services (2.4% versus 1.8%). Earnings in nondurable industries declined in Georgia during the summer while expanding 0.8% nationwide. With the latest data revisions, however, sharp upward adjustments are expected in those nondurable estimates in Georgia. Also, activity grew strongly in the fourth quarter. Certainly, Georgia should continue to comfortably outdistance U.S. performance when the fourth quarter data becomes available.

The gap in retail trade activity between the South Atlantic and U.S. performances continued to narrow during the fall. By November, the South

Atlantic was only performing 2 percentage points better than nationwide. Sales increases by department stores in Atlanta were 6.9% above previous year gains for the first eleven months as compared to a 6.1% gain nationwide. However, Atlanta activity had slowed to only a 5.8% year over year comparison in November relative to an 8.3% gain for the nation in that month. Taxable sales in Georgia slowed dramatically to show a 0.1% decline in the summer months from the previous year. This compares to a 6.0% gain in the previous quarter. Although price changes for taxable goods were less than 1%, this clearly suggests that employment gains were excessive in retail establishments in the summer. For the year, taxable sales in Georgia probably increased less than 5%. After adjustment for inflation, this would be an increase of less than 4%, in comparison to employment gains of 5.6%.

When estimated service expenditures are combined with taxable sales, consumer spending appears to be growing slightly less than 6%. This compares to an increase in disposable income of more than 8%, suggesting that the savings rate rose significantly in Georgia even as it declined sharply nationwide. Hence, Georgia consumers appear to be more capable of supporting a spurt in retail activity than the national economy. A rebound in retailing activity, therefore, should be anticipated in Georgia during 1987.

Inflation in Atlanta continued to increase 1% more than nationwide at the end of 1986. In the latest two months, prices rose 0.2% in the nation and 0.7% in Atlanta. In 1987, the Atlanta CPI is expected to increase 4.0%, about a half percent more than nationwide. Prices then are expected to accelerate to a gain of 4.2% in the nation and in Atlanta for 1988.

In the latest two months, grocery store prices fell 0.7% in Atlanta while they rose 0.2% for the nation. Grocery store prices over the past year increased 3.6% nationwide as compared to 2.2% in Atlanta. Restaurant prices continued to rise more rapidly in Atlanta with a 5.2% annual gain as compared to a 4.3% gain nationwide. However, menu prices spurted 0.9% nationwide and only 0.2% in Atlanta during the past two months. Atlanta also was a better place for alcoholic beverages last year, with prices up only 0.8% as compared to 1.9% in the nation. A 1.2% price drop for alcoholic beverages during the past two months as compared to a 0.1% increase nationwide helped this outcome. Most of Atlanta's inflationary differential was in housing costs, which soared 4.6% as compared to 1.8% nationwide. Prices declined 0.3% for housing in the nation; they rose 1.3% in Atlanta during the past two months. Renters' costs increased 0.7% in Atlanta while they increased only 0.1% in the nation. Although clothing prices showed comparable gains during the past two months both nationwide and in Atlanta, apparel was up 4.4% in Atlanta and only 0.9% in the nation for the year. On the other hand, transportation costs fell more sharply in Atlanta than nationwide, as gasoline prices declined more vigorously. Medical care costs continued to soar in Atlanta, rising 12.1% over the past year as compared to a 7.7% nationwide gain. In the past two months, increases were a comparable 1.0% in both areas. Entertainment costs also were up more vigorously in Atlanta, rising 6.4% versus 3.4% for the nation. However, price increases were comparable over the past two months. In summary, sharply rising prices for clothing, housing costs, and medical care contributed to the more robust inflationary pressures in Atlanta than nationwide. Housing costs should continue to rise rapidly while medical care prices should tend to grow more slowly over the next year.

Georgia's unemployment rate in December was a moderate 5.7%, an improvement of 0.5 percentage points from the previous year. This is 0.6 percentage points

better than the nation. Albany continued to show the most difficulty in generating jobs. Despite a slight decline in the labor force, the unemployment rate in Albany increased from 9.0% a year ago to 10.7% in December. Columbus, the metro area with the second highest unemployment rate at 7.2% was able to lower its unemployment rate by 1.3 percentage points over the previous year and actually added 1800 jobs. Despite a sharp 3000 job gain in Augusta, the unemployment rate rose 0.5% over the previous year to 6.2%. A large influx in the labor force accounted for this surprising result. Savannah's metropolitan area saw even a larger influx of new workers and was able to employ all the additions plus enough others to lower the unemployment rate from 6.6% a year ago to 6.1% this December. Unemployment in the Macon area fell to 5.6% from 6.3% a year ago with the benefit of strong employment gains. Athens showed little change in the unemployment rate, although employment grew sharply over the past year. Unemployment in Athens currently is 5.2%. The Atlanta unemployment rate was at a low 4.4%, down 0.4 percentage points from a year ago. Nearly 100,000 additional jobs were created in Atlanta according to the household estimates of employment. Even with the revised estimates of employment according to payrolls, the household surveys suggest a stronger growth in employment than the actual enumeration by payrolls.

Georgia's insured unemployment rate increased to 1.9% in the fall while the insured unemployment rate rose to 1.2% in Atlanta. While these increases are slightly troubling, the rates remain sharply below the 2.6% insured unemployment rate nationwide.

Deposits fell by 0.4% for all thrift institutions nationwide and also fell 0.2% in the southeast. However, deposits at Georgia thrifts showed a counter trend by growing 1.2%. Nevertheless, such performance did not accelerate forward commitments at Georgia thrifts, which fell a seasonal 21.0%. This compared to seasonal declines of 19.5% for the remainder of the southeast and 18.6% for the nation. The improvement in regulatory net worth at Georgia thrifts slowed significantly to only a 2.0% gain in the fourth quarter as compared to a 2.3% gain in the southeast. However, these compared with a 0.7% gain nationwide.

Effective mortgage rates have fallen by a lesser 0.77 percentage points in Atlanta as compared to a 1.40 percentage point decline nationwide. Nevertheless, effective mortgages in December were 9.49% in Atlanta and 9.68% in the nation. Housing prices continue to increase sharply nationwide with prices up $13,800 to $117,300. In Atlanta, however, prices fell $8000 and are only $112,200 for the median home in December. This appears to be an aberration that will vanish with subsequent data. Mortgage rates are expected to decline slightly during the spring to an effective rate of 9.25% in Atlanta before gradually climbing to 10% by the middle of 1988.

Despite upward revisions in employment data, Georgia's revenues continue to show moderating economic activity. During the past quarter, revenues expanded 6.4%. This compares with gains of 5.9%, 6.4%, 8.7%, and 8.4% in previous quarters. In December, revenue gains were 7.8% above previous year levels. Nevertheless, sluggish revenue growth during the first half of this fiscal year suggests that revenue projections will be up only 6.8% for the year. We are currently projecting gains of 7.5% in the next fiscal year followed by comparable increases a year later.

According to sales tax receipts, the automobile surge that occurred throughout the nation was not a major force in Georgia. In the latest quarter

sales and use tax collections were only 2.5% above previous year levels. This compares with gains of 3.0%, 7.2%, 5.5%, and 7.5% in previous quarters. It also compares unfavorably with a gain of 7.6% for all state and local governments. In previous quarters these governments showed sales tax increases of 7.6%, 5.7%, 6.2%, and 6.6%. As mentioned above, Georgians apparently rebuilt their savings in 1986 even as most other people were sharply reducing theirs. Personal income in the state appeared to be acceptable, as tax receipts rose 8.0% in the quarter. This compares with increases of 8.9%, 12.4%, 17.0%, 10.4%, and 13.5% in previous quarters. Increases for all state and local governments was a more modest 6.9%, although this was an increase from 6.7% in the previous quarter and compared favorably with gains of 3.9%, 5.2%, 7.6%, and 7.6% in previous quarters. Georgia's largest improvement was in corporate tax accruals, which surged 21.2%. In the previous quarter, accruals increased 7.5% after falling 6.5% and 6.9% in previous quarters. Quarterly profits for all state and local governments also rebounded to a 14.6% gain following increases of 5.8%, 10.5%, 4.0%, and 12.7% in earlier quarters. Thus, Georgia's income appears to compare favorably with the nation, although income tax collections are not as far above collections nationwide as estimates of personal income are. On the other hand, sales tax activity appears to be doing quite poorly. This confirms the observation that savings rates rose in Georgia and also indicates that Georgia consumption could be stronger in the next year even as consumption nationwide is retrenching.

Summary of Outlook

Rapid employment gains in construction are coming to an end. By the end of the year, employment in construction will be below 1986 averages. Construction should continue to fall significantly through 1988.

Construction-related manufacturing activity also will weaken. Lumber, furniture, and the stone, clay group all will experience modest employment losses in 1988. However, other pockets of weakness are not expected to materialize.

In manufacturing, current weakness in the metals industries should gradually turn in 1987 and begin generating increased employment before the end of that year. Although employment in transportation equipment will be restrained by an extended model changeover for one of the Atlanta assembly plants, employment should then grow robustly in the following year. Growth in the machinery industry should continue to move strongly forward following only a modest pause in the early months of 1987. Employment gains for nondurables also should be relatively widespread. Weakness in chemicals should come to an end as agricultural incomes begin rising, bolstering purchases of agricultural chemicals. Weakness in the apparel industry also is expected to end as the dollar's decline will begin to raise the competitiveness of American industry. While the carpet industry probably will show little growth over the next two years because of slow sales for automobiles, declines in commercial construction, and moderation in housing starts, enough carpet sales will be available to prevent any significant slump. Other textiles are expected to gradually improve. Also improving will be food processing activity while the surge in printing will moderate but will not totally reverse itself. As a result, Georgia should be able to create between 5000 and 10,000 additional manufacturing jobs a year over the next several years.

Layoffs in the communications industry and a restructuring at a major airline will prevent any significant expansion in employment in the

transportation and communications sectors during 1987. Once these adjustments are completed, however, employment growth can resume. Wholesale trade apparently is rebounding vigorously following little employment change in 1986. This spurt in wholesale activity should die down before the end of next year, however.

Because the Georgia economy appears to be significantly overstored, employment growth for retail establishments should slow markedly over the next two years. Population gains are sufficiently robust to ensure that no bust will develop for retail employees. Employment in the finance sector should continue to grow robustly through most of 1987 before some consolidation sets in during 1988. Also, rapid growth in service employment simply cannot be sustained. However, growth will remain vigorous over the forecasting horizon. Finally, growth in federal government employment will slow but population requirements assure some further growth. State payrolls, which accelerated slightly in 1986 should gradually decelerate. Although needs for employment gains at the local level may be rising, the loss of general revenue-sharing is creating modest employment gains in that area at this time.

Strength in manufacturing and continued expansion of the service economy should more than offset any developing weakness in construction. However, retail employment appears to be excessive, while the transportation and communications industries appear to be going into a restructuring year before employment gains will reappear. Nevertheless, Georgia's employment prospects remain favorable.

Of course, double digit earnings growth in construction will slow to minimal gains over the next two years. Even rapid gains in nonfarm proprietors' income will fall into single-digit territory. However, earnings gains will be stronger in the trade sector in 1987 than 1986 and will also remain robust in the finance and service areas. Nevertheless, personal income gains should slow by nearly 2 percentage points even as inflation is intensifying. Personal purchasing power will only expand 2.5% in 1987 and a lesser 2.0% in 1988. This will continue to restrain sales tax receipts and employment gains in the trade sector.

Because of upward revisions in employment opportunities, population gains are expected to remain strong in Georgia.

Although consumer incomes will be growing slowly, the buildup of consumer savings that apparently developed in 1986 should provide enough extra purchasing power to sustain real gains in consumer activity. In addition, the dollar's decline already shows signs of improving the competitiveness of American import-impacted industries. The apparel industry, which had been hit hard, should begin to recover. Textiles already are advancing into new growth territory. However, tax changes will sharply reduce the desired inventory holdings of real estate. This will result in a significant correction in nonresidential construction activity and in the construction of rental units.

Although the Georgia economy is expected to grow more slowly in the forecast period than in the recent past, substantial areas of economic strength in Georgia still are apparent. Indeed, the strength developing in manufacturing should prevent Georgia from seeing any significant recessionary activity despite the need for significant correction in construction and the developing need for some moderation in retail employment gains. On balance, the Georgia outlook is more favorable than it appeared to be three months ago on the basis of employment data that showed more sluggish growth toward the end of the year.

DATA REVISIONS REDUCE OVERBUILDING CONCERNS IN ATLANTA

Data Revisions

Atlanta employment figures showed the same acceleration of economic activity in the second half of 1986 as was apparent in the state. However, the rapid growth in construction activity was reduced slightly earlier in the year. In addition, manufacturing showed even a more robust gain in Atlanta than in the state. Manufacturing employment was revised upward by nearly 7000. Large gains in durable manufacturing were in the machinery sectors, where nonelectrical machinery was revised from a modest decline to a 4.8% rate of expansion. While electrical machinery was revised from a 2.4% growth rate to a 9.2% rate of gain. Lumber employment also was revised upward slightly.

A sharp increase developed in nondurables, as food processing was revised upward by 2500 jobs and printing increased by 1000 jobs. This offset a downward revision in the chemicals industry. On the other hand, trade employment was revised downward sharply in 1985, virtually removing earlier measures of excess retail employment. However, sluggish retail sales in 1986 correspond with even more rapid rates of gain in retail employment. Thus, Atlanta was not overstored as 1986 began but became overstored as the year progressed. Finance employment was revised upward significantly along with service employment, where 12,000 new jobs were added. Overall, employment was reduced by 9000 jobs in 1985 and then increased by 9000 jobs in 1986. This resulted in an additional 18,000 job gain. Thus, employment increased 68,400 in 1986 as compared with original estimates of 50,700.

Recent Conditions and Outlook

Payroll employment in Atlanta surged at an 8.1% annual rate in the fourth quarter. However, growth slowed sharply in December, where payroll gains were only at a 5.7% annual rate of advance. Much of the fourth quarter growth was in contract construction. However, manufacturing activity rebounded with the aid of gains in transportation equipment following strike activity in the third quarter. Transportation equipment will decline during the first half of 1987 as the Lakewood plant is out of operation for sixteen weeks for retooling. While employment will be significantly impacted, purchasing power will not be dramatically altered. Although nondurable manufacturing also rebounded slightly during the fourth quarter, manufacturing is not as significant a part of the Atlanta economy as it is in Georgia.

A surge in employment also occurred for wholesale trade, finance, and services. On the other hand, the transportation and communications industries stalled in the fall as a result of restructuring activity. Government spending also slowed, with local government employment falling slightly after seasonal adjustment. To the extent that vigorous employment gains were concentrated in contract construction, the Atlanta economy is susceptible to significant slowing during the next two years. However, the momentum in construction is so substantial that a decline below 1986 averages is not expected until the end of 1987. Then, construction employment is expected to fall sharply.

As in the state, manufacturing activity related to construction will also weaken. However, the weak metals industry is expected to gradually regain health in 1987 and begin expanding in 1988.

The restructuring currently developing in the transportation and communications industries should slow but not stop employment gains in those areas. At the same time, acceleration in retail employment is expected to peak early in 1987. A spurt in wholesale trade employment also should turn into significant sluggishness by the end of 1987. Employment gains in the finance and service sector should gradually slow. However, the strong stock market probably will push up financial service employment in 1987 at a more rapid rate than in 1986. Slowing then would develop in the following year. Atlanta should generate its fourth consecutive year of more than 5% employment growth during 1987. Employment gains then will slow to 3% in 1988.

The sharp upward revision in service employment suggests that economically justified absorption rates will be much stronger in Atlanta during the next two years than originally expected. This also explains the surprising decline in vacancies in Atlanta during December as recorded by the Coldwell Banker Index. According to that index, vacancy rates in Atlanta's downtown declined to 14.9% as compared to a 16.4% vacancy rate nationwide. Suburban vacancies fell to 19.2% in comparison to a 23.8% vacancy rate for the nation. After some of the large mid-town and Buckhead properties are completed, vacancy rates will rise to the vicinity of 23% before the end of 1987. While this is certainly a high rate of vacant space, rapid gains in the service economy indicate that absorption rates will begin exceeding completion rates by the end of 1987. Therefore, rental rates probably will begin firming at slightly less than $18 per square foot for class A space by the end of this year.

Because of an increase in the national index to 5.8%, the industrial vacancy rate in Atlanta now has fallen below the national average at 5.6%. This is an unusually high industrial vacancy rate for Atlanta and suggests that little new construction should develop. However, it also shows that absorption rates are catching up to industrial construction activity. According to Adams-Cates estimates, nearly 10 million square feet of quality square-footage is being added at an annual rate to the Atlanta market at the present time.

The upward revision in employment in Atlanta has led to an upward revision in population as well. The population expanded 3.7% in 1986 and will continue to grow at more than a 3% annual rate through 1988. By 1988, however, that vigorous rate of pupulation growth will outstrip employment needs, leading to a slight increase in the unemployment rate. Until that time, when population growth will then slow, potential absorption of housing should remain stable at nearly 44,000 units per year. Housing permits appear to be exceeding those levels, at least until a slump in multi-family activity drops new starts below potential absorption in 1988. This means that downward pressures on prices and rental rates could develop in 1987. A slight glut in housing may also slow the turnover of the resale market. Nevertheless, relatively vigorous housing activity should continue during the next two years.

A housing slump in Gwinnett county continues to develop, although the slump in multi-family activity has been partially arrested. However, vacancy rates remain more than 15% in that county, suggesting that further weakness in multi-family construction is warranted. Activity in Fulton county remains surprisingly robust. The basic factor restraining further development in Fulton county will be the availability of accessible lots on the northern part of the county. Dekalb also will be suffering from lot availability. However, apartment activity also appears to be excessive and will slow significantly over the next two years. Cobb county should be able to maintain single-family

housing growth but will also experience a significant slowing in multi-family activity, largely as a result of the disincentives provided in the recent tax act. Clayton county probably is the most vulnerable to a significant slump in multi-family activity. Economic activity has slowly intensified on the southern side of the metropolitan area, but the surge in housing activity in Clayton county appears to be anticipating more growth than currently can be generated. Rapid growth in single-family housing is expected in Cherokee county as a large number of moderate income households become priced out of Gwinnett and respond by moving further out. The problems in Forsyth county are expected to hurt that county's development. Although major long-term damage may have been avoided, sluggishness is expected in housing and industrial activity in 1987. Moderate improvement should develop in 1988. When Douglas county establishes an important shopping area, a spurt in housing activity should develop. This will begin occurring in 1988. On balance, single-family activity should continue to maintain current robust levels, while multi-family activity is expected to experience a significant correction. A slight softness is expected to persist in the Atlanta housing market over the next two years, but no significant economic trauma is expected.

Taxable sales in the Atlanta metropolitan area have slowed to less than 7% in 1986. With slightly more than 1% inflation on taxable items, this suggests about 6% real growth. Yet, employment in retail trade establishments currently is growing slightly in excess of this projected expansion of taxable sales. During the summer, taxable sales registered the lowest year over year gain since the third quarter of 1975. Recession was largely responsible for the earlier weakness while disinflation appears to be responsible for the current taxable sales sluggishness.

Taxable sales slumped by a sharp 3.2% in Fulton county during the summer months and also decreased in Dekalb. Sales showed surprisingly moderate rates of gain in such important counties as Cobb, Clayton, and Gwinnett. Counties farther out showed more significant sales tax gains. Indeed, taxable sales accelerated in Coweta, Fayette, Paulding, and Douglas. Although taxable sales growth in Gwinnett was not in double digits, the summer increase was slightly better than in the spring. Surprisingly, the Town Center complex in north Cobb apparently did little to dispel sluggish sales activity during the summer months. Obviously, the negligible increase in taxable sales from a year ago was not created by restraints in disposable income. Savings in Atlanta increased dramatically during the summer months.

In summary, employment growth appears to be continuing along a relatively vigorous 5% rate of expansion. However, unsustainable spurts in retail employment gains and in construction activity appear to have generated some of this good fortune. Construction will slow significantly in 1987 and begin falling in 1988. Trade activity also will slow over the next two years. However, gains in manufacturing activity and continued growth in service employment should maintain reasonable employment opportunities in the Atlanta area. Nevertheless, a noticeable slowing in employment gains is anticipated in 1988 after one more year of 5% employment gains materialize in 1987.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts for 1987 through 1988
(Thousands)

Industry	1985r	1986r	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.1	8.4	8.9	8.9	3.9	3.7	5.9	0.0
2. Construction	143.8	156.2	158.3	151.5	9.4	8.6	1.3	-4.3
3. Manufacturing	557.1	564.6	571.0	580.2	1.9	1.3	1.1	1.6
Durables	220.1	222.1	223.3	227.2	6.0	0.9	0.5	1.7
Lumber	35.7	34.9	35.3	35.0	5.0	-2.2	1.1	-0.8
Furniture	11.9	11.8	11.7	11.6	8.2	-0.8	-0.8	-0.9
Stone, Clay, Glass	19.9	20.8	20.9	20.7	5.9	4.5	0.5	-1.0
Primary Metals	16.5	15.4	15.2	15.5	1.9	-6.7	-1.3	2.0
Fabricated Metals	20.7	20.6	20.4	20.6	2.0	-0.5	-1.0	1.0
Nonelectrical Machinery	26.0	26.1	26.5	26.8	7.4	0.4	1.5	1.1
Electrical Machinery	27.7	29.2	29.5	30.6	4.5	5.4	1.0	3.7
Transportation Equipment	49.1	50.9	51.2	53.5	11.3	3.7	0.6	4.5
Other Durables	12.6	12.3	12.6	12.9	1.6	-2.4	2.4	2.4
Nondurables	337.0	342.5	347.7	353.0	-0.6	1.6	1.5	1.5
Food	59.3	60.6	62.3	63.5	3.7	2.2	2.8	1.9
Textiles	100.8	103.0	104.9	105.4	-3.9	2.2	1.8	0.5
Apparel	70.4	69.8	70.1	70.6	-6.3	-0.9	0.4	0.7
Paper	30.3	31.0	31.7	32.5	1.3	2.3	2.3	2.5
Printing	34.1	36.6	37.8	39.1	10.7	7.3	3.3	3.4
Chemicals	19.3	19.2	18.9	19.4	2.1	-0.5	-1.6	2.6
Leather	1.6	1.5	1.2	1.1	-5.9	-6.3	-20.0	-8.3
Other Nondurables	21.2	20.9	20.8	21.4	3.9	-1.4	-0.5	2.9
4. Transportation, Comm. & Utilities	163.0	166.5	167.8	171.4	4.2	2.2	0.8	2.1
5. Trade	643.0	669.6	702.3	722.4	6.7	4.1	4.9	2.9
Wholesale	195.4	197.1	209.1	211.6	4.2	0.9	6.1	1.2
Retail	447.6	472.5	493.2	510.8	7.9	5.6	4.4	3.6
6. Finance, Ins. & Real Estate	136.8	145.3	154.0	160.9	6.6	6.2	6.0	4.5
7. Services	469.3	505.7	539.6	566.6	8.2	7.8	6.7	5.0
8. Government	448.7	458.6	462.8	468.8	1.5	2.2	0.9	1.3
Federal	94.2	96.0	96.3	97.0	5.3	1.9	0.3	0.7
State	104.8	106.9	108.9	110.7	1.0	2.0	1.9	1.7
Local	249.7	255.7	257.6	261.1	0.4	2.4	0.7	1.4
Total Wage & Salary Employment	2569.8	2675.0	2764.7	2830.7	5.0	4.1	3.4	2.4
Unemployment Rate	6.5	5.8	5.5	5.8	8.3	-10.8	-5.2	5.5

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Table 2

Georgia Personal Income for 1985 and 1986 with Forecasts for 1987 and 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	53001	56568	59974	10.3	9.0	6.7	6.0
2. Other Labor Income	4615	5059	5479	5917	10.1	9.6	8.3	8.0
3. Proprietors' Income	5223	5899	6513	7087	1.5	12.9	10.4	8.8
Farm	683	644	748	826	-37.6	-5.7	16.1	10.4
Nonfarm	4540	5255	5765	6261	12.0	15.8	9.7	8.6
Labor & Proprietors' Income:								
1. Farm	833	799	920	1013	-33.0	-4.1	15.1	10.1
2. Mining	286	300	327	339	2.3	4.8	9.0	3.6
3. Contract Construction	3876	4596	4797	4752	11.5	18.6	4.4	-0.9
4. Manufacturing	12072	12837	13366	14057	7.1	6.3	4.1	5.2
Durables	5409	5702	5905	6218	10.7	5.4	3.6	5.3
Nondurables	6663	7135	7461	7839	4.6	7.1	4.6	5.1
5. Transportation & Utilities	5478	5838	6060	6407	8.8	6.6	3.8	5.7
6. Trade	11562	12207	13211	13969	12.4	5.6	8.2	5.7
Wholesale	5495	5752	6285	6551	13.0	4.7	9.3	4.2
Retail	6067	6455	6926	7418	12.0	6.4	7.3	7.1
7. Finance, Ins. & Real Estate	3592	4151	4589	5010	18.0	15.6	10.5	9.2
8. Services	10604	12184	13651	15122	13.3	14.9	12 0	10.8
9. Other Industries	256	290	318	345	12.9	13.3	9.7	8.5
10. Government	9889	10757	11321	11964	7.6	8.8	5.2	5.7
Federal Civilian	2501	2629	2730	2860	9.0	5.1	3.8	4.8
Federal Military	1421	1456	1567	1700	3.6	2.5	7.6	8.5
State & Local	5967	6672	7024	7404	8.0	11.8	5.3	5.4
Plus:								
Property Income	10257	10613	10794	11515	8.1	3.5	1.7	6.7
State U.I. Benefits	211	232	293	286	7.7	10.0	26.3	-2.4
Other Transfers	9656	10307	10853	11461	8.1	6.7	5.3	5.6
Residence Adjustment	-218	-256	-273	-278	25.5	17.4	6.6	1.8
Less: Social Ins. Contributions	3392	3745	4029	4487	15.3	10.4	7.6	11.4
Equals: Total Personal Income	74960	81110	86198	91475	8.8	8.2	6.3	6.1
Nonfarm Personal Income	74127	80311	85278	90462	9.5	8.3	6.2	6.1
% of U.S. Nonfarm	2.26	2.33	2.37	2.38	---	---	---	---
Population	5975	6104	6221	6339	2.34	2.16	1.92	1.90

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College of Business Administration
Economic Forecasting Center
February 1987

Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.7	1.6	9.0	20.8	13.3	-5.9
2. Contract Construction	71.6	78.4	81.3	76.2	12.6	9.5	3.7	-6.3
3. Manufacturing	185.6	192.2	195.7	201.2	5.9	3.6	1.8	2.8
Durables	97.4	100.6	100.9	104.4	9.3	3.3	0.3	3.5
Lumber	4.9	5.1	5.4	5.3	28.9	4.1	5.9	-1.9
Furniture	4.7	4.5	4.7	4.6	2.2	-4.3	4.4	-2.1
Stone, Clay, Glass	9.5	10.2	10.4	10.3	9.2	7.4	2.0	-1.0
Primary Metals	6.9	6.6	6.5	6.8	7.8	-4.3	-1.5	4.6
Fabricated Metals	9.3	9.2	8.9	9.1	5.7	-1.1	-3.3	2.2
Nonelectrical Machinery	10.5	11.0	11.3	11.8	9.4	4.8	2.7	4.4
Electrical Machinery	14.2	15.5	15.3	16.0	7.6	9.2	-1.3	4.6
Transportation Equipment	31.8	32.9	32.7	34.6	11.2	3.5	-0.6	5.8
Other Durables	5.7	5.7	5.7	5.9	7.5	0.0	0.0	3.5
Nondurables	88.2	91.6	94.8	96.8	2.3	3.9	3.5	2.1
Food	20.6	21.9	22.3	22.6	3.5	6.3	1.8	1.3
Textiles	7.5	7.2	7.7	7.9	-10.7	-4.0	6.9	2.6
Apparel	12.7	12.4	12.2	12.4	-3.8	-2.4	-1.6	1.6
Paper	8.6	8.9	9.4	9.5	2.4	3.5	5.6	1.1
Printing	21.5	23.3	24.3	25.0	8.6	8.4	4.3	2.9
Chemicals	9.5	9.6	10.3	10.6	2.2	1.1	7.3	2.9
Other Nondurables	7.7	8.2	8.6	8.8	5.5	6.5	4.9	2.3
4. Transportation, Comm. & Utilities	104.8	108.4	110.9	113.4	4.4	3.4	2.3	2.3
5. Trade	350.7	368.0	393.5	408.6	3.9	4.9	6.9	3.8
Wholesale	125.4	129.3	138.9	141.3	1.1	3.1	7.4	1.7
Retail	225.3	238.7	254.6	267.3	5.5	5.9	6.1	5.0
6. Finance, Ins. and Real Estate	88.9	94.4	101.4	107.3	7.9	6.2	7.4	5.8
7. Services	281.7	304.6	328.5	345.4	8.9	8.1	7.8	5.1
8. Government	178.0	183.5	185.3	188.4	2.1	3.1	1.0	1.7
Federal	38.3	39.4	39.5	39.8	6.1	2.9	0.3	0.8
State	35.5	36.4	37.5	38.2	0.9	2.5	3.0	1.9
Local	104.2	107.7	108.3	110.4	1.2	3.4	0.6	1.9
Total Wage & Salary Employment	1262.6	1331.0	1398.3	1442.1	5.8	5.4	5.1	3.1
Unemployment Rate	5.0	4.5	4.4	4.8	4.2	-10.0	-2.2	9.1

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College of Business Administration
Economic Forecasting Center
February 1987

Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts through 1988
(Millions of Dollars)

	1985r	1986r	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26484	29281	31761	33950	11.6	10.6	8.5	6.9
2. Other Labor Income	2719	2999	3266	3504	11.5	10.3	8.9	7.3
3. Proprietors' Income	1796	2073	2276	2476	10.7	15.4	9.8	8.8
Farm	87	80	86	91	-14.5	-8.0	7.5	5.8
Nonfarm	1709	1993	2190	2385	13.3	16.6	9.9	8.9
Labor & Proprietors' Income:								
1. Farm	103	98	107	115	-13.0	-4.9	9.2	7.5
2. Contract Construction	1828	2185	2333	2267	14.7	19.5	6.8	-2.9
3. Manufacturing	4942	5360	5614	5980	11.2	8.5	4.7	6.5
Durables	2896	3122	3228	3458	14.0	7.8	3.4	7.1
Nondurables	2046	2238	2386	2522	7.5	9.4	6.6	5.7
4. Transportation & Utilities	3823	4121	4340	4596	9.0	7.8	5.3	5.9
5. Trade	7337	7837	8614	9158	9.7	6.8	9.9	6.3
Wholesale	4168	4456	4928	5160	9.9	6.9	10.6	4.7
Retail	3169	3381	3686	3998	9.6	6.7	9.0	8.5
6. Finance, Ins. & Real Estate	2617	3026	3386	3741	19.3	15.6	11.9	10.5
7. Services	6323	7284	8238	9136	14.0	15.2	13.1	10.9
8. Other Industries	148	167	183	198	11.7	12.5	9.6	8.3
9. Government	3878	4275	4488	4739	8.2	10.2	5.0	5.6
Federal Civilian	1106	1173	1218	1278	9.8	6.1	3.8	4.9
Federal Military	223	230	245	261	3.5	3.3	6.2	6.7
State & Local	2549	2872	3025	3200	8.4	12.7	5.3	5.8
Plus:								
Property Income	5338	5594	5717	6135	8.6	4.8	2.2	7.3
Transfer Payments	3209	3430	3629	3829	8.0	6.9	5.8	5.5
Residence Adjustment	-1181	-1303	-1357	-1391	15.3	10.3	4.2	2.5
Less: Social Ins. Contributions	2001	2240	2447	2748	16.6	11.9	9.2	12.3
Equals: Total Personal Income	36364	39834	42845	45755	10.3	9.5	7.6	6.8
Nonfarm Personal Income	36261	39736	42738	45640	10.4	9.6	7.6	6.8
% of Georgia Nonfarm	48.92	49.48	50.12	50.45	---	---	---	---
Population (#,Thousands)	2472	2564	2655	2742	3.84	3.72	3.55	3.28

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College of Business Administration
Economic Forecasting Center
February 1987

Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	85-4(r)	86-1(r)	86-2(r)	86-3(r)	86-4(p)	Dec(p)	85-4(r)	86-1(r)	86-2(r)	86-3(r)	86-4(p)	Dec(p)
Total	2613.1	2638.5	2654.9	2684.2	2721.5	2730.5	1287.2	1305.1	1317.2	1337.3	1363.6	1369.9
Mining	8.1	8.3	8.1	8.6	8.8	8.8	1.3	1.3	1.3	1.6	1.7	1.7
Contract Construction	147.6	152.1	153.6	156.1	162.6	162.7	72.2	76.3	75.9	77.7	83.5	84.0
Manufacturing	563.5	568.7	563.1	561.1	565.2	567.8	190.6	193.3	191.8	190.6	193.0	194.0
Durables	223.9	225.3	221.3	219.4	222.3	223.7	101.1	102.5	100.4	98.8	100.5	101.2
Lumber	35.8	35.8	34.9	34.2	34.8	35.1	5.1	5.1	5.1	5.1	5.3	5.3
Furniture	12.1	12.0	11.7	11.7	11.8	11.8	4.8	4.5	4.5	4.5	4.6	4.7
Stone, Clay, Glass	20.5	20.7	20.8	20.9	20.9	21.0	10.2	10.2	10.0	10.1	10.3	10.4
Primary Metals	16.4	15.8	14.9	15.6	15.2	15.0	6.8	6.8	6.0	6.8	6.6	6.4
Fabricated Metals	20.8	20.9	20.6	20.3	20.5	20.4	9.5	9.5	9.3	9.0	8.9	8.8
Nonelectrical Machinery	26.5	26.7	25.8	26.0	26.0	26.3	11.0	11.2	10.9	10.9	10.8	11.0
Electrical Machinery	28.5	29.3	29.5	29.1	29.0	29.2	14.8	15.8	15.8	15.3	15.0	15.0
Transportation Equipment	50.5	51.6	51.0	49.5	51.6	52.4	33.2	33.6	33.0	31.4	33.4	34.0
Other Durables	12.6	12.4	12.1	12.1	12.5	12.5	5.8	5.8	5.7	5.7	5.7	5.6
Nondurables	339.6	343.4	341.9	341.7	342.9	344.1	89.5	90.7	91.4	91.8	92.5	92.8
Food	60.5	60.2	60.2	60.9	61.0	61.1	21.3	21.7	21.9	21.9	22.0	22.0
Textiles	101.0	102.6	102.2	103.3	104.1	104.3	7.2	7.1	7.1	7.3	7.5	7.5
Apparel	69.8	70.6	70.1	69.2	69.0	69.6	12.6	12.8	12.6	12.3	12.0	12.1
Paper	30.4	30.7	31.2	31.0	31.0	31.3	8.9	8.7	9.0	9.0	9.2	9.2
Printing	34.9	35.8	36.6	36.7	37.1	37.3	22.1	22.8	23.2	23.4	23.6	23.6
Chemicals	19.5	19.4	19.2	19.3	19.0	18.8	9.4	9.5	9.4	9.7	9.9	10.0
Leather	1.7	1.7	1.6	1.3	1.3	1.3	---	---	---	---	---	---
Other Nondurables	21.8	22.4	20.9	20.0	20.4	20.4	8.0	8.1	8.3	8.2	8.4	8.4
Transportation, Comm. & Util.	165.3	165.8	165.4	167.3	167.5	167.1	106.2	107.2	107.2	109.5	109.6	109.2
Trade	650.0	654.3	664.1	674.5	684.9	688.1	354.1	357.6	364.0	370.8	379.4	381.7
Wholesale	194.5	193.6	194.5	197.0	203.4	205.2	126.2	125.3	127.8	130.5	133.8	135.4
Retail	455.5	460.7	469.7	477.5	481.6	482.9	227.9	232.3	236.2	240.3	245.6	246.3
Finance, Ins. & Real Estate	139.1	141.4	144.3	146.6	148.9	149.6	90.6	92.2	94.0	95.0	96.6	97.4
Services	485.9	489.9	497.7	509.9	525.4	527.6	292.1	294.6	298.6	308.4	316.5	319.5
Government	453.7	458.0	458.6	460.1	458.2	458.8	180.2	182.7	184.4	183.8	183.3	182.4
Federal	95.7	97.0	96.0	95.1	96.1	95.9	38.7	39.6	39.6	39.0	39.5	39.3
State	105.3	106.4	107.8	106.6	106.9	108.0	35.5	36.2	36.9	36.2	36.5	37.3
Local	252.8	254.6	254.8	258.4	255.2	254.9	106.0	106.9	108.0	108.7	107.3	105.8

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College of Business Administration
Economic Forecasting Center
February 1987

Table 6 Metro Atlanta Housing Permits for 1983 through 1986 with Forecasts through 1988

	1983		1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	----	----	---	66	4	64	0	65	0	60	0
Cherokee	1172	14	1466	28	1632	155	2450	265	2920	350	3000	450
Clayton	1269	6	1143	576	1408	1424	1559	1832	1450	1250	1360	860
Cobb	5986	4243	6365	3095	6128	2576	6379	3418	6450	2460	6340	2010
DeKalb	3119	4371	3227	2965	3591	3397	3817	2647	3520	2060	3270	1790
Douglas	658	6	533	8	705	186	795	205	740	40	960	270
Fayette	----	----	----	----	692	0	822	0	850	0	970	0
Forsyth	463	14	609	57	720	74	797	73	730	20	740	40
Fulton	2634	2252	2979	3680	3198	3993	3536	4139	3500	3920	3270	3650
Gwinnett	5980	3226	5977	6155	7117	3911	5835	3964	5460	3560	5770	3020
Henry	602	18	656	56	902	123	1378	108	1570	150	1610	180
Newton	----	----	----	----	311	14	373	62	410	50	440	50
Paulding	----	----	----	----	718	0	932	6	950	10	930	20
Rockdale	437	144	623	83	692	120	1075	298	1110	160	1150	190
Walton	----	----	----	----	286	0	343	0	360	0	400	0
Total	22320	14394	23653	16703	28166	15977	30155	17017	30085	14030	29874	12530
% Change From Previous Year	+60.2	+129.8	+6.0	+16.0	+10.6	-4.4	+7.1	6.5	-0.2	-17.6	-0.7	-10.7
% Change in Total (single + multi)	+81.7		+9.9		+3.9		+6.9		-6.5		-3.9	
Estimated Potential Absorption (000)	33.0		40.6		48.0		43.9		43.4		42.9	

NOTE: The 1983 % change figures do not include Marietta. Totals for 1982 do not contain Marietta. Marietta figures are included in 1983 totals and beyond. Condominiums are included in the multi-family totals. Fee simple town homes are included in the single-family category. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Table 7

GA
~~Atlanta~~ Employment in 1991

	1985	1991	% Change	Annual Rate	Previous Annual Rate
Mining	8.1	9.4	16.0	2.5	1.4
Construction	143.8	165.3	15.0	2.3	4.2
Manufacturing	557.1	608.6	9.2	1.5	1.3
Durables:	220.1	239.0	8.6	1.4	2.2
Lumber	35.7	35.1	-1.7	-0.3	1.6
Furniture	11.9	11.8	-0.8	-0.1	2.0
Stone, Clay, Glass	19.9	21.4	7.5	1.2	2.7
Primary Metals	16.5	16.2	-1.8	-0.3	1.7
Fabricated Metals	20.7	22.1	6.8	1.1	1.4
Nonelectrical Machinery	26.0	28.9	11.2	1.8	3.4
Electrical Machinery	27.7	34.1	23.1	3.5	2.0
Transportation Equipment	49.1	56.0	14.1	2.2	3.3
Other Durables	12.6	13.4	6.3	1.0	-0.5
Nondurables:	337.0	369.6	9.7	1.6	0.8
Food	59.3	67.8	14.3	2.3	2.5
Textiles	100.8	105.9	5.1	0.8	-1.6
Apparel	70.4	71.2	1.1	0.2	0.4
Paper	30.3	35.9	18.5	2.9	2.3
Printing	34.1	44.6	30.8	4.6	4.5
Chemicals	19.3	20.1	4.1	0.7	2.2
Leather	1.6	0.9	-43.8	-9.1	-5.6
Other Nondurables	21.2	23.2	9.4	1.5	-0.7
Transportation, Comm. & Utilities	163.0	181.7	11.5	1.8	2.7
Trade:	643.0	804.0	25.0	3.8	4.6
Wholesale	195.4	223.4	14.3	2.3	3.1
Retail	447.6	580.6	29.7	4.4	5.3
Finance, Ins. & Real Estate	136.8	186.4	36.3	5.3	5.0
Services	469.3	658.2	40.3	5.8	5.2
Government:	448.7	495.6	10.5	1.7	1.0
Federal	94.2	100.9	7.1	1.2	2.6
State	104.8	119.3	13.8	2.2	0.8
Local	249.7	275.4	10.3	1.6	0.5
Total Wage & Salary	2569.8	3109.2	21.0	3.2	3.3
Population	5975	6668	11.6	1.85	1.88

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Table 8

~~Atlanta~~ GA Personal Income in 1991

	1985	1991	% Change	Annual Rate	Previous Estimated Growth Path
Labor & Proprietors' Income :					
1. Wage & Salary Income	48608	77484	59.4	8.1	8.5
Other Labor Income	4615	7526	63.1	8.5	8.5
3. Proprietors' Income:	5223	9479	81.5	10.4	6.0
Farm	683	1057	54.8	7.5	-0.8
Nonfarm	4540	8422	85.5	10.8	7.8
Labor & Proprietors' Income:					
1. Farm	833	1267	52.1	7.2	0.4
2. Mining	286	419	46.5	6.6	6.0
3. Contract Construction	3876	5963	53.8	7.4	9.5
4. Manufacturing:	12072	17403	44.2	6.3	6.5
Durables	5409	7718	42.7	6.1	7.7
Nondurables	6663	9685	45.4	6.4	9.3
5. Transportation, Comm. & Utilities	5478	8015	46.3	6.5	7.7
6. Trade:	11562	18026	55.9	7.7	9.3
Wholesale	5495	8161	48.5	6.8	8.6
Retail	6067	9865	62.6	8.4	9.9
7. Finance, Insurance & Real Estate	3592	6907	92.3	11.5	10.8
8. Services	10604	20904	97.1	12.0	11.2
9. Other Industries	256	447	74.6	9.7	10.5
10. Government:	9889	15138	53.1	7.4	6.3
Federal Civilian	2501	3391	35.6	5.2	6.2
Federal Military	1421	2315	62.9	8.5	8.1
State & Local	5967	9432	58.1	7.9	5.9
Plus:					
Property Income	10257	14506	41.4	5.9	6.8
State (U.I.) Benefits*	211	317	50.2	7.0	6.4
Transfer Payments	9656	13753	42.4	6.1	6.3
Residence Adjustment	-218	-313	----	---	---
Less: Social Ins. Contributions	3392	6044	78.2	10.1	12.7
Equals: Total Personal Income	74960	116708	55.7	7.7	7.5
Real Personal Income**	31091	36211	16.5	2.6	2.9
Adjusted PCE Deflator**	241.1	322.3	33.7	5.0	4.6

** Assuming CPI rises 5.0% per year, adjusted to reflect difference from national purchasing power, and to eliminate CPI bias.
* Assuming 5.0% unemployment rate in 1991.

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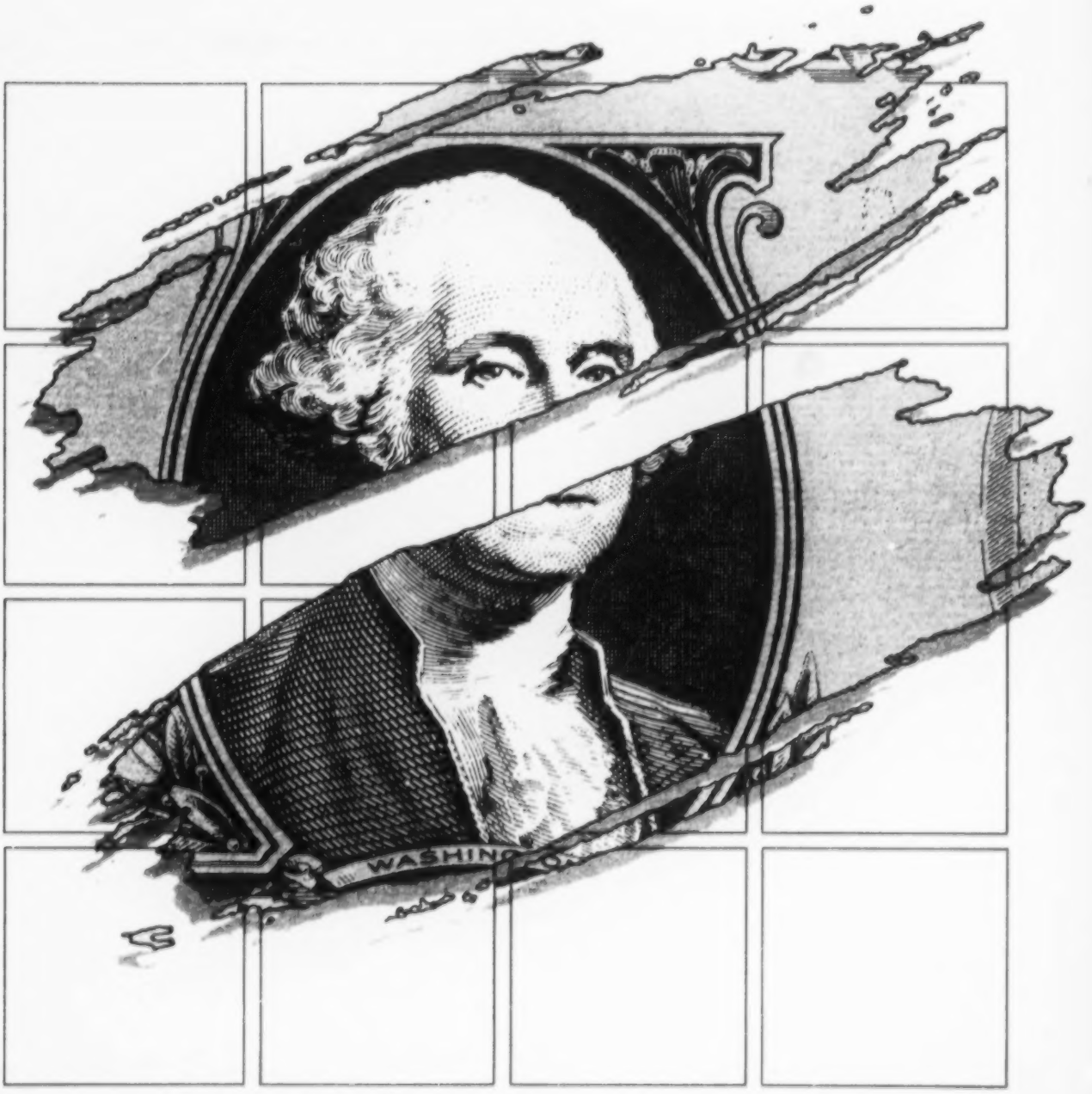
Georgia State University, College of Business Administration, May 1987
Dr. Donald Ratajczak, Director



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Dr. Donald Ratajczak, Director

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GEORGIA GROWTH SLOWING BUT REMAINING WELL ABOVE U.S. GROWTH IN NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center

Summary

Previous strong gains in construction and retail employment are beginning to slow in Georgia. Construction soon should be trending downward while retail growth definitely should slow in the next two years. However, continued modest gains in manufacturing, with more substantial increases in the important textile industry, should continue to generate employment gains well above national rates in the next two years.

Projected 3.8% and 2.7% employment gains for Georgia contrast with increases of only 2.5% and 1.9% nationwide. Because of reduced wage gains, personal income gains are continuing to slow in Georgia. Increasing inflation in 1988 should be reflected in higher earnings and a slight acceleration in personal income.

According to the coincident indicators, the Georgia economy expanded 4.7% in 1986 as compared to a gain of only 2.5% for the nation. During the first quarter of 1987, Georgia product apparently expanded a robust 6.6% as compared to 4.3% announced nationwide. With this robust beginning, Georgia's state product probably will grow more than 5% after inflation in 1987 and slow to a still respectable 3.5% rate of growth in 1988.

Georgia's unemployment rate is expected to dip slightly to 5.5% in 1987 as more than 102,000 additional jobs are created. Job growth is expected to slow to 75,300 in 1988, when the unemployment rate is expected to rise slightly to 5.6%.

Recent Conditions

Payroll employment adjusted for seasonal factors increased 5.9% at annual rates in the first quarter. This compares with a 3.1% annual rate of increase for payrolls in the United States. Preliminary estimates suggest that payroll employment slowed slightly in March. Some of this, especially in the retail sector, could be the result of shifting seasonal patterns as a result of the shift in the Easter holiday.

However, some weakness probably is beginning to develop for contract construction. During the first quarter construction orders fell 17% from the first quarter of 1986. Even residential orders were down noticeably. Employment also was restrained by a model changeover at the Lakewood automobile plant in Atlanta. Employment is not expected to increase there until the second half of the year. Continued weakness in some airline activity has led to slower gains for transportation. However, increased competitiveness of American manufacturing already is apparent in significant employment gains experienced by the Georgia textile industry. The apparel industry, which had been trending downward through the end of 1986 also has begun showing some revival. The

service sector continued to expand briskly with a significant portion of the gain being recorded in business services. Surprising employment gains were recorded in the government sector, but significant strengthening state and local government payrolls is expected to be temporary. Adjusted for unusual seasonal factors in March, the employment experience in Georgia during the first quarter was certainly acceptable.

Georgia's coincident indicators grew vigorously during the first quarter but declined in March. Much of this activity was the result of surprisingly strong corporate tax accruals early in 1987 which abruptly came to an end in March. However, bank deposits also showed some weakness after adjustment for national inflation rates. Most of the employment related statistics continued to show strength, with the important hours worked expanding significantly. Farm cash receipts also registered substantial strength, as the poultry industry continued to experience unusually profitable conditions. However, substantial poultry expansion plans in Georgia and throughout the nation suggest that poultry prices will be under downward pressure before summer.

Georgia's leading indicators have not been as robust as current economic activity. In March, more of the indicators fell than increased, although a significant expansion in tax revenues helped to generate a modest gain for the leading indicators. These indicators suggest that current growth in the Georgia economy is faster than can be sustained. This suggests that economic activity will slow significantly in Georgia during the second quarter, although the indicators clearly suggest that economic growth will continue.

Personal income in Georgia continues to grow more rapidly than in the United States, with nonfarm personal income growing at an annualized rate of 4.9% in Georgia as compared to a 3.2% rate of growth nationwide in the fall. However, the drought's effects upon Georgia income was readily apparent during the fourth quarter, when farm income dropped an annualized rate of 72.1%. In comparison, farm incomes nationwide expanded at an annual rate of nearly 57%. Annualized gains in personal income were especially sharp in Georgia for contract construction (18.2% versus 3.6% nationwide), wholesale trade (12.9% versus 4.0% nationwide), the finance group, (12.1% versus 9.9% nationwide), and services (13.0% versus 7.4%). Incomes grew more slowly in Georgia for government, where federal payrolls fell 3.5%, in the transportation group with only a 2.1% gain as compared to a 5.3% nationwide increase, and in manufacturing, where nondurable payrolls fell in Georgia while rising 4.4% in the nation. Durable payrolls increased an anemic 1.3% in Georgia as compared to a 4.4% expansion nationwide. However, most earnings comparisons in Georgia were favorable, leading to a 6.6% gain for wages and salaries, a full percentage point above the gain registered nationwide. Proprietors also did well in Georgia with a 9.7% fourth quarter gain as compared to a 6.7% gain in the nation. Of course, more favorable employment prospects in Georgia led to a larger decline in unemployment insurance benefits than in the nation. Sharp increases in payroll employment during the first quarter suggest that Georgia once again will outperform the nation in personal income gains.

Sales gains in the South Atlantic states continued to slow relative to the nation, but retail trade remained nearly a percentage point above the nation. In Atlanta, department store sales during the first eleven months of 1986 were 6.6% above the comparable period in 1985. This is nearly 1.5 percentage points above U.S. performance, but trails department store sales gains for the South Atlantic region. Taxable sales rebounded from the summer doldrums in Georgia

during the fall, with sales gains of 6.1% over the previous year. However, taxable sales for the entire year were up only 4.5%. Adjusted for inflation, this suggests that the volume of retail activity in Georgia increased slightly more than 3%. However, retail employment was up 5.6%. Thus, retail activity probably grew excessively by two percentage points relative to sales during 1986. When estimated service expenditures are combined with taxable sales, consumer spending appears to be growing slightly less than 6%. This is more than two percentage points less than the growth in Georgia personal income. Thus, Georgians appear to have increased their savings rates throughout 1986. As a result, consumer spending might increase substantially early in 1987.

In the last reporting month, Georgia's unemployment rate stood at 5.8%, a 0.5 percentage point improvement from the previous year. Unemployment improved slightly more in the United States, but the unemployment rate without seasonal adjustment remained more than 1.5 percentage points above the Georgia rate. Job growth continued to be disappointing in Albany, where the unemployment rate increased by nearly a percentage point over the past year. All other Georgia metropolitan areas experienced unemployment rates below the national average. In Columbus, the unemployment rate increased by 1.3 percentage points, leaving unemployment slightly under national averages. Rapid employment gains in Augusta were more than offset by significant gains in the work force. As a result, a 3% gain in Augusta jobs could not keep the unemployment rate from rising by 0.6 percentage points over the past year. Unemployment in Savannah dropped a full percentage point and currently stands at 6.0%. Unemployment in the Macon area dropped by 1.1 percentage points as household employment expanded 3.4% over the previous year. Unemployment also fell by nearly a percentage point in the Athens area, where employment opportunities began accelerating. Atlanta continued to experience the lowest unemployment rate and the fastest rate of growth of employment of any metropolitan area. However, Atlanta's robust economy continues to attract substantial new entrants into the work force. Estimates of employment by household continue to exceed gains in payroll employment by almost 40,000 in Georgia. It is possible that the payroll estimates continue to understate actual employment gains within the state.

Georgia's insured unemployment rate remains near 1.9% in the winter months while the insured unemployment rate in Atlanta remains near 1.2%. This contrasts with the downward trend in the insured rate nationwide. However, Georgia's rates remain sharply below the 2.5% insured unemployment rate for the nation.

Economic conditions of Georgia's thrift industry continued to outpace the nation and the Southeast during the latest quarter. Deposits in Georgia increased 1.1% as compared to a lesser gain of 0.5% for the nation and a decline of 0.3% in the Southeast. Because of the poor deposit performance in other parts of the Southeast, forward commitments to originate mortgages fell 53.4% while they were declining 41.0% for the nation and a much smaller 17.8% for Georgia. Of course, the amount of commitments outstanding hurt financial institutions when mortgages changed abruptly during the early weeks of April. To the extent that a larger proportion of committed funds was made by Georgia institutions, more substantial slowing in regulatory net worth probably will surface in Georgia during the second quarter. In the first quarter, however, Georgia regulatory net worth did quite well, expanding 6.4%. This compared with a more modest 2.0% gain in the Southeast and a relatively sluggish 0.6% gain for the nation.

Just prior to the April mortgage explosion, effective rates nationwide were down 1.46 percentage points from a year ago. In Atlanta, the decline in effective rates was a smaller 1.29%, but the effective rate was lower in Atlanta. Housing prices nationwide increased $12,900 to $119,500 in the past year. Housing prices were a comparable $119,800 in Atlanta, but that had fallen by $11,100 from a year ago. Effective mortgage rates have now rebounded dramatically and are expected to average more than 10.5% in Atlanta for the remainder of this year. Mortgage rates are expected to remain in that range during next year as well. This will have adverse effects upon the affordability of housing and, therefore, upon housing activity over the next two years in Georgia.

Strength in the Georgia economy during the first quarter is readily apparent in the revenue statistics. Revenues in the past quarter expanded 10.0% from the previous year. This compares with previous year over year gains of 6.4%, 5.9%, 6.4%, and 8.7%. In April, revenue gains were 8.2% above previous year levels. This suggests that a slight slowing in revenues is occurring as the fiscal year draws to an end. However, revenues probably will expand 7.5%, an upward revision from our previous projection of a 6.8% gain. Revenues also are expected to gain 7.5% in the next fiscal year and then accelerate as a result of collection gains through higher inflation to an increase of 8.5%.

Although sales tax receipts in Georgia improved during the latest quarter, they remain substantially below yearly gains for other state and local governments. Sales tax collections increased 5.4%, up from 2.5% in the previous quarter. But in other quarters, the gains were 3.0%, 7.2%, and 5.5% respectively. For all other state and local governments, however, sales tax collections grew 8.5%. In previous quarters, their gains were 7.6%, 7.6%, 5.7%, and 6.2%. This appears to confirm the observation that Georgians were building their savings even as spending was aggressively being pursued in other states. Certainly, incomes were adequate in Georgia, as tax receipts for personal income were up a sharp 12.2%. This compares with gains of 8.0%, 8.9%, 12.4%, 17.0%, and 10.4% in previous quarters. By contrast, personal income tax collections were up only 5.8% for all state and local governments. This was a slowing from still modest increases of 6.9% and 6.7% in previous quarters. Other quarterly gains were 3.9%, 5.2%, and 7.6% respectively. Corporate tax accruals continued to surge in Georgia, showing a 26.3% gain during the first quarter. This compares with gains of 21.2% and 7.5% in previous quarters following declines of 6.5% and 6.9%. All state and local governments also experienced receipts from surging corporate activity with a gain of 28.5%. Previously the gains were 14.6%, 5.8%, 10.5%, and 4.0%. Georgians have been reluctant to spend their growing income as reflected in an unusually low rate of gain for sales tax receipts. If this indicates that savings rates in Georgia are growing, then greater retail activity is possible in Georgia during the next two years than in other parts of the country.

Summary of Outlook

Construction contracts already are off sharply in Georgia and construction activity soon should follow. Several major industrial projects, including the Fort Howard paper plant and the plant Vogtle nuclear power plant are ending their construction phase. In addition, highway improvements in the Atlanta area are gradually winding down. Thus, a significant decline in construction would have occurred even in the absence of any mortgage rate increases. Given the

increase in mortgage rates, housing activity also should slow notably. This also will create weakness in construction related manufacturing industries, all of which are expected to decline modestly in 1988.

Fortunately, manufacturing activity will rebound as a result of improved competitiveness in Georgia manufacturing in comparison to foreign producers. Textile activity already is rebounding sharply, although weakness in the markets for carpet product may slow the rate of textile gain in 1988. Employment weakness in apparel also has come to an end. Other areas profiting from improved international competitiveness are expected to include primary metals, paper exports, and a gradual rebound in chemicals following the closing of a Union Carbide plant in Brunswick. Although the machinery industry also is expected to show modest growth in the next two years, the loss of the investment tax credit probably will slow the degree to which shipments expand. In the transportation equipment area, an important automobile assembly plant will be out of production until the middle of 1987 for model changeover. By the middle of 1988, Lockheed will begin diminishing its work force unless new orders begin developing. Thus, there are some areas of modest weakness in the manufacturing outlook, but manufacturing jobs in Georgia will be growing over the next two years and the gains will be relatively widespread.

Most of the layoffs in the communications industry have been completed. Some further declines in employment in locally-based airlines continue to restrain the transportation component. However, most of these problems will be resolved near the end of this year and more substantial gains will be possible next year.

Because of a significant slowing in wholesale activity in 1986, wholesale trade in Georgia is poised for a significant gain during the forecast period. On the other hand, retail employment probably expanded 2 percentage points more rapidly than retail activity in 1986. If Georgians begin spending their improved incomes in 1987, a modest expansion in retail employment is likely. However, slowing in the retail area is expected in 1988. Slowing also is expected in the finance area, although much of this will be the result of reduced opportunities for real estate brokers. Substantial growth continues to develop in business services, but some slowing is expected in this sector as well, when the national economy hits more troubled waters early in 1988.

Because of strong gains in employment opportunities early in 1987, projections of job gains for Georgia have increased for the next two years. This has resulted in a more favorable unemployment rate than originally expected. Also, population gains in 1987 and 1988 have been revised upward slightly as people continue to come from other parts of the country to take advantage of employment opportunities in Georgia. Because of reduced growth in hourly wages, personal income in 1987 is expected to grow more slowly than in 1986. As inflation is expected to accelerate to 4%, this will only leave about a 2.5% gain in real purchasing power in each of the next two years. Sales tax receipts may continue to be sluggish, although they should rebound from their especially slow pace of the previous year.

Even with substantial slowing in earnings during 1987, the finance and service sectors will continue to show double-digit earnings expansion. In addition, nonfarm proprietors' income should perform well in both years. The farm economy also is expected to pick up following sharp weakness in 1985 that could not be recovered because of the drought during 1986. However, the only

crop aside from the licensed crops, such as tobacco and peanuts, which appears to provide profits at the present time is cotton. Corn, soybeans, and wheat all appear to be money losers again in the forecast period. In addition, dramatic increases in poultry capacity could eliminate substantial profitability from that sector by the early months of 1988.

On balance, Georgia's expansion is gradually slowing as a result of a decline in construction activity that is not fully offset by a rebound in manufacturing prospects. However, the decline appears to be gradual at the present time and economic activity in Georgia will continue to substantially outperform activity nationwide during the next two years.

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ATLANTA TO EXPERIENCE ONE MORE GOOD YEAR IN 1987 BEFORE FALLING CONTSTRUCTION SLOWS ACTIVITY IN 1988

Recent Conditions and Outlook

Payroll employment gains in Atlanta during the first quarter slowed imperceptibly to a 6.0% annual rate, but much of this was caused by the reduction in employment at the Lakewood auto assembly plant, which is scheduled for model changeover. This plant will become operational again after midyear. Also, construction activity began weakening during the quarter, although a slight rebound apparently developed in March. Construction is expected to weaken noticeably as the year progresses as all sectors of the Atlanta construction economy, including public works, begin to fall. On the other hand, the transportation and communications sector, which was slowed by layoffs at a long-distance telephone company and the bankruptcy of an airline, will not remain subdued.

Although manufacturing is not a major component of the Atlanta economy, the rebound in textiles has been especially brisk in the few plants located in the metro area. Apparel continues to weaken in Atlanta, but a turnaround there is soon expected as well. The printing industry continues to grow sharply in Atlanta while durable goods activity other than transportation equipment also appears to be moving forward.

Wholesale trade is on a surprisingly robust growth path that appears not to be sustainable. Some slowing in wholesale employment should be anticipated late this year or early next year. Retail also appears to be growing vigorously. Some slowing in the growth of that activity also should be anticipated.

The growth of financial services has slowed slightly, partially as a result of reduced gains in real estate activity. However, business services have reaccelerated. In the past year, business services have expanded 18% and now account for 100,000 jobs in metro Atlanta. Unlike other service jobs, which may be low-paying, the business services include computer software, computer programming, architectural consultants, and engineering consultants, all of which receive well above national average wages. Apparently, Atlanta is continuing to become a mecca for small consulting activities that branch their efforts throughout the South. Government also appears to have increased its rate of growth in recent months.

Rapid growth of Atlanta's population requires more federal government personnel. In addition, local government has been hiring rapidly to keep up with the additional services required by expanding surburban populations.

Despite developing weakness in construction and temporary sluggishness in transportation equipment, the Atlanta economy should post another year of more than 5% employment gains in 1987. However, some of these gains are being generated in the trade sector, where a surge of activity does not appear to be justified by current needs. The surge in business service activity also cannot be sustained at these growth rates. However, strong service employment gains should persist into 1988. At that time, transportation equipment will be rebounding along with most other manufacturing activities other than construction related manufacturing. A slowing in the financial service sector, some moderation in government growth and a continuing decline in construction will substantially slow employment gains in 1988. Nevertheless, job expansion in excess of 51,000 is anticipated in that year. This will be down from 73,000 new jobs anticipated in 1987.

Because of Atlanta's vibrant economy, people continue to move into the metropolitan area. Current estimates suggest that population gains may accelerate slightly in 1987 before slowing in 1988. As a result, substantial gains in employment will not be sufficient to prevent the unemployment rate from rising gradually in 1988. Obviously, an economy generating 50,000 jobs is not about to fall into a recession in the next two years.

Increased estimates of service employment raise some hope for the overbuilt office market in Atlanta. According to Coldwell Banker statistics, office vacancy rates in surburban Atlanta increased to 21.7%, though that remains below the 23.9% recorded nationwide. In the downtown area, however, vacancies have fallen to a relatively healthy 13.4%. This compares to 16.3% vacancies nationwide. Of course, the downtown area does not include rapidly developing midtown. Even with the decline in downtown vacancies, Atlanta's total vacancy rate rose to 20.2%, continuing to close the gap with national vacancy rates. These vacancy rates probably will increase to more than 23% by the end of 1987. Rental concessions are still substantial in many parts of the Atlanta market and no firming in the effective rental rate of slightly less than $18 per square foot for Class A space is anticipated until early 1988. However, rapid growth of the service economy indicates that the slump in commercial construction may not be as serious as appeared six to twelve months ago.

Although absorption currently is heaviest in the midtown area, a great deal of this is the result of space occupied by building owners. Leasing of uncaptured space remains strongest in the Perimeter and in the Cumberland areas. Although absorption also is reasonably active in the Buckhead area, space proposed and under construction will significantly increase vacancy rates over the next two years. The northeast market into Gwinnett county currently is sluggish. Fortunately, the level of property proposed and under construction has diminished sharply, suggesting that the market will regain balance reasonably soon.

Industrial activity in Atlanta now is significantly outstripping need. During the first quarter the vacancy rate increased to 6.2% and is now above the 5.9% recorded nationwide. Some slowing in industrial construction definitely is warranted at the present time.

Construction of multi-family properties have slumped dramatically during the first quarter. In Cobb and DeKalb, multi-family permits are growing only half as rapidly as a year ago. In Gwinnett, with the aid of a sewer moratorium, permits are off more than 90%. This also reflects a more than 15% vacant rate for multi-family properties in that county. Multi-family activity remains surprisingly robust in Clayton county and also is beginning to heat up in Henry county. However, Fulton county, which was the top producer of multi-family units in 1986 also is experiencing a slump to only one-third of previous activity. As a result, multi-family construction is expected to plunge by 42%, causing overall housing units to fall by a sharp 16%. Indeed, it now appears that housing construction during the next two years will fall below potential absorption. This does not mean that a housing shortage will develop in Atlanta by the end of 1988, for the slump in multi-families is designed to eliminate excess inventories. However, the housing market by the end of 1988 probably will be in a position to renew growth. In addition, substantial increases could develop in resale prices of single-family units once reduced vacancy rates reverse the current concession trend for rentals and begin pushing up rental rates by the end of 1988.

Although Gwinnett county is experiencing a dramatic falloff in apartment activity, its single-family activity once again has regained the lead in the metropolitan area. In the first quarter, Gwinnett was constructing single-family homes at a 7000 annual rate. This compared with only a 5200 rate for Cobb county, a slowing from that county's performance in the previous year. Activity was also slowing in DeKalb, Cherokee, Douglas, and Forsyth counties. Housing activity continued to follow last year's growth path in Fulton and Clayton counties. Single-family activity was accelerating in Fayette, Henry, Newton, Paulding, and Rockdale counties. Thus, suburban sprawl was continuing to intensify.

Taxable sales rebounded smartly in the fourth quarter to show an 8.4% gain from previous year levels. However, taxable sales for the entire year were a relatively sluggish 5.7%, only a percentage point higher than in the state. This suggests that consumption in Atlanta increased less than 7% before inflationary adjustment. Since personal income increased more than 9%, savings increases probably were even more significant in Atlanta than in the remainder of the state. Why this shift in savings behavior in Georgia in comparison to the U.S. is not easy to determine. However, taxable sales were not sufficient to support more than a 4% employment gain in trade activity. Thus, the spurt in trade employment to a gain of 4.9% in 1986 and a currently projected 7% gain in 1987 appears to be excessive. If taxable sales can maintain their newfound vigor, retail employment possibly could show a 6% gain for the year. The excess, therefore, will reduce retail profitability and cause a slowing in the growth of retail activity in 1988.

Rockdale showed the largest rebound in taxable sales in 1986, with a fourth quarter surge of 43% and an annual gain of nearly 18%. Despite rapid housing activity in Henry county, taxable sales have not yet reflected comparable spending patterns. A 9.2% increase in sales last year was only marginally above sales growth metrowide. Of course, the slowing in Gwinnett is very obvious in the taxable sales figures, where taxable sales expanded only 11.2% in 1986, down from a 26.3% gain in 1985, and the lowest sales gains since the recession of 1982. Fayette, on the other hand, shows its increased gains in population with a 25.7% increase in taxable sales. Sales in DeKalb rebounded sharply in the fourth quarter, but they showed only lackluster performance in Fulton and Cobb

counties. Taxable sales also are not responding to increased housing activity in Clayton county. Despite dramatic increases in single- and multi-family activity, sales were only up 8.6% for last year. This was only marginally better than the 8.2% sales gain in Cherokee county, where sales actually fell below metro rates of gain in the fourth quarter.

In summary, the Atlanta economy no longer is showing growth in all sectors. The construction sector definitely is beginning to slide with significant weaknes developing in multi-family construction and in commercial activity. Vacancy rates are high, although a renewed spurt in business services will create higher absorption rates than previously anticipated. Trade employment also appears to be excessive, as employment gains are outstripping sales growth adjusted for inflation by more than a percentage point per year. Retail activity currently has accelerated. Some slowing should be anticipated in 1988, however. Manufacturing activity will expand over the next two years, although the transportation equipment sector is temporarily being impacted by auto model changeovers.

On balance, the exceptionally powerful economic expansion currently fueling the Atlanta economy does not appear to be coming to an end. Some adjustments are required to handle overexuberance in industrial and residential development and in building of retail establishments, but the seeds of a substantial economic slowdown do not appear to have been planted. A slowing to 50,000 job gains in 1988 certainly should not be troubling to too many Atlanta observers.

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts for 1987 through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.1	8.4	9.0	9.1	3.9	3.7	7.1	1.1
2. Construction	143.8	156.2	158.3	151.5	9.4	8.6	1.3	-4.3
3. Manufacturing	557.1	564.6	572.5	582.2	1.9	1.3	1.4	1.7
Durables	220.1	222.1	224.4	228.4	6.0	0.9	1.0	1.8
Lumber	35.7	34.9	35.0	34.6	5.0	-2.2	0.3	-1.1
Furniture	11.9	11.8	11.9	11.7	8.2	-0.8	0.8	-1.7
Stone, Clay, Glass	19.9	20.8	20.9	20.7	5.9	4.5	0.5	-1.0
Primary Metals	16.5	15.4	15.5	15.7	1.9	-6.7	0.6	1.3
Fabricated Metals	20.7	20.6	20.7	21.1	2.0	-0.5	0.5	1.9
Nonelectrical Machinery	26.0	26.1	27.0	27.7	7.4	0.4	3.4	2.6
Electrical Machinery	27.7	29.2	29.9	30.8	4.5	5.4	2.4	3.0
Transportation Equipment	49.1	50.9	50.6	52.7	11.3	3.7	-0.6	4.2
Other Durables	12.6	12.3	12.9	13.4	1.6	-2.4	4.9	3.9
Nondurables	337.0	342.5	348.1	353.8	-0.6	1.6	1.6	1.6
Food	59.3	60.6	61.8	63.2	3.7	2.2	2.0	2.3
Textiles	100.8	103.0	106.1	106.6	-3.9	2.2	3.0	0.5
Apparel	70.4	69.8	70.1	70.9	-6.3	-0.9	0.4	1.1
Paper	30.3	31.0	31.6	32.8	1.3	2.3	1.9	3.8
Printing	34.1	36.6	37.6	38.4	10.7	7.3	2.7	2.1
Chemicals	19.3	19.2	18.7	19.1	2.1	-0.5	-2.6	2.1
Leather	1.6	1.5	1.1	1.0	-5.9	-6.3	-26.7	-9.1
Other Nondurables	21.2	20.9	21.1	21.8	3.9	-1.4	1.0	3.3
4. Transportation, Comm. & Utilities	163.0	166.5	169.1	173.1	4.2	2.2	1.6	2.4
5. Trade	643.0	669.6	707.9	734.0	6.7	4.1	5.7	3.7
Wholesale	195.4	197.1	207.3	212.4	4.2	0.9	5.2	2.5
Retail	447.6	472.5	500.6	521.6	7.9	5.6	5.9	4.2
6. Finance, Ins. & Real Estate	136.8	145.3	154.0	160.9	6.6	6.2	6.0	4.5
7. Services	469.3	505.7	541.4	570.2	8.2	7.8	7.1	5.3
8. Government	448.7	458.6	465.0	471.5	1.5	2.2	1.4	1.4
Federal	94.2	96.0	97.5	98.3	5.3	1.9	1.6	0.8
State	104.8	106.9	109.1	111.0	1.0	2.0	2.1	1.7
Local	249.7	255.7	258.4	262.2	0.4	2.4	1.1	1.5
Total Wage & Salary Employment	2569.8	2675.0	2777.2	2852.5	5.0	4.1	3.8	2.7
Unemployment Rate	6.5	5.8	5.5	5.6	8.3	-10.8	-5.2	1.8

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Table 2

Georgia Personal Income for 1985 and 1986 with Forecasts for 1987 and 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52676	56205	60333	10.3	8.4	6.7	7.3
2. Other Labor Income	4615	5036	5345	5666	10.1	9.1	6.1	6.0
3. Proprietors' Income	5223	5897	6500	7209	1.5	12.9	10.2	10.9
Farm	683	653	688	806	-37.6	-4.4	5.4	17.2
Nonfarm	4540	5244	5812	6403	12.0	15.5	10.8	10.2
Labor & Proprietors' Income:								
1. Farm	833	807	853	988	-33.0	-3.1	5.7	15.8
2. Mining	286	292	310	328	2.3	2.1	6.2	5.8
3. Contract Construction	3876	4613	4905	4858	11.5	19.0	6.3	-1.0
4. Manufacturing	12072	12789	13254	14086	7.1	5.9	3.6	6.3
Durables	5409	5722	5906	6282	10.7	5.8	3.2	6.4
Nondurables	6663	7067	7348	7804	4.6	6.1	4.0	6.2
5. Transportation & Utilities	5478	5717	5978	6413	8.8	4.4	4.6	7.3
6. Trade	11562	12243	13179	14232	12.4	5.9	7.6	8.0
Wholesale	5495	5780	6219	6690	13.0	5.2	7.6	7.6
Retail	6067	6463	6960	7542	12.0	6.5	7.7	8.4
7. Finance, Ins. & Real Estate	3592	4231	4754	5255	18.0	17.8	12.4	10.5
8. Services	10604	11956	13231	14771	13.3	12.8	10.7	11.6
9. Other Industries	256	282	296	324	12.9	10.2	5.0	9.5
10. Government	9889	10678	11290	11953	7.6	8.0	5.7	5.9
Federal Civilian	2501	2621	2780	2900	9.0	4.8	6.1	4.3
Federal Military	1421	1453	1489	1602	3.6	2.3	2.5	7.6
State & Local	5967	6604	7021	7451	8.0	10.7	6.3	6.1
Plus:								
Property Income	10257	10592	10926	11843	8.1	3.3	3.2	8.4
State U.I. Benefits	211	226	254	298	7.7	7.1	12.4	17.3
Other Transfers	9656	10265	10853	11537	8.1	6.3	5.7	6.3
Residence Adjustment	-218	-250	-268	-275	25.5	14.7	7.2	2.6
Less: Social Ins. Contributions	3392	3722	4002	4513	15.3	9.7	7.5	12.8
Equals: Total Personal Income	74960	80720	85813	92098	8.8	7.7	6.3	7.3
Nonfarm Personal Income	74127	79912	84960	91110	9.5	7.8	6.3	7.2
% of U.S. Nonfarm	2.26	2.32	2.34	2.41	---	---	---	---
Population	5975	6104	6224	6342	2.34	2.16	1.97	1.90

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May 1987

Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.7	1.7	9.0	20.8	13.3	0.0
2. Contract Construction	71.6	78.4	80.6	74.5	12.6	9.5	2.8	-7.6
3. Manufacturing	185.6	192.2	194.5	199.6	5.9	3.6	1.2	2.6
Durables	97.4	100.6	100.7	103.5	9.3	3.3	0.1	2.8
Lumber	4.9	5.1	5.3	5.2	28.9	4.1	3.9	-1.9
Furniture	4.7	4.5	4.5	4.4	2.2	-4.3	0.0	-2.2
Stone, Clay, Glass	9.5	10.2	10.5	10.3	9.2	7.4	2.9	-1.9
Primary Metals	6.9	6.6	6.8	7.0	7.8	-4.3	3.0	2.9
Fabricated Metals	9.3	9.2	8.9	9.1	5.7	-1.1	-3.3	2.2
Nonelectrical Machinery	10.5	11.0	11.3	11.8	9.4	4.8	2.7	4.4
Electrical Machinery	14.2	15.5	15.4	16.0	7.6	9.2	-0.6	3.9
Transportation Equipment	31.8	32.9	32.3	33.8	11.2	3.5	-1.8	4.6
Other Durables	5.7	5.7	5.7	5.9	7.5	0.0	0.0	3.5
Nondurables	88.2	91.6	93.8	96.1	2.3	3.9	2.4	2.5
Food	20.6	21.9	22.0	22.4	3.5	6.3	0.5	1.8
Textiles	7.5	7.2	7.8	8.0	-10.7	-4.0	8.3	2.6
Apparel	12.7	12.4	12.0	12.3	-3.8	-2.4	-3.2	2.5
Paper	8.6	8.9	9.6	10.0	2.4	3.5	7.9	4.2
Printing	21.5	23.3	24.1	24.6	8.6	8.4	3.4	2.1
Chemicals	9.5	9.6	9.9	10.2	2.2	1.1	3.1	3.0
Other Nondurables	7.7	8.2	8.4	8.6	5.5	6.5	2.4	2.4
4. Transportation, Comm. & Utilities	104.8	108.4	111.1	113.7	4.4	3.4	2.5	2.3
5. Trade	350.7	368.0	393.9	412.8	3.9	4.9	7.0	4.8
Wholesale	125.4	129.3	137.8	141.6	1.1	3.1	6.6	2.8
Retail	225.3	238.7	256.1	271.2	5.5	5.9	7.3	5.9
6. Finance, Ins. and Real Estate	88.9	94.4	99.2	103.6	7.9	6.2	5.1	4.4
7. Services	281.7	304.6	333.4	354.8	8.9	8.1	9.5	6.4
8. Government	178.0	183.5	189.6	195.0	2.1	3.1	3.3	2.8
Federal	38.3	39.4	40.8	41.9	6.1	2.9	3.6	2.7
State	35.5	36.4	37.5	38.4	0.9	2.5	3.0	2.4
Local	104.2	107.7	111.3	114.7	1.2	3.4	3.3	3.1
Total Wage & Salary Employment	1262.6	1331.0	1404.0	1455.7	5.8	5.4	5.5	3.7
Unemployment Rate	5.0	4.5	4.4	4.7	4.2	-10.0	-2.2	6.8

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College of Business Administration
Economic Forecasting Center
May 1987

Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts through 1988
(Millions of Dollars)

	1985	1986r	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26484	29131	31643	34299	11.6	10.0	8.6	8.4
2. Other Labor Income	2719	2985	3183	3377	11.5	9.8	6.6	6.1
3. Proprietors' Income	1796	2068	2285	2537	10.7	15.1	10.5	11.0
Farm	87	80	81	90	-14.5	-8.0	1.3	11.1
Nonfarm	1709	1988	2204	2447	13.3	16.3	10.9	11.0
Labor & Proprietors' Income:								
1. Farm	103	98	102	114	-13.0	-4.9	4.1	11.8
2. Contract Construction	1828	2192	2363	2265	14.7	19.9	7.8	-4.3
3. Manufacturing	4942	5351	5530	5932	11.2	8.3	3.3	7.3
Durables	2896	3133	3206	3443	14.0	8.2	2.3	7.4
Nondurables	2046	2218	2324	2489	7.5	8.4	4.8	7.1
4. Transportation & Utilities	3823	4037	4259	4566	9.0	5.6	5.5	7.2
5. Trade	7337	7860	8571	9330	9.7	7.1	9.0	8.9
Wholesale	4168	4476	4879	5265	9.9	7.4	9.0	7.9
Retail	3169	3384	3692	4065	9.6	6.8	9.1	10.1
6. Finance, Ins. & Real Estate	2617	3083	3437	3795	19.3	17.8	11.5	10.4
7. Services	6323	7151	8088	9115	14.0	13.1	13.1	12.7
8. Other Industries	148	167	187	204	11.7	12.9	11.8	9.0
9. Government	3878	4245	4574	4892	8.2	9.5	7.8	7.0
Federal Civilian	1106	1170	1265	1343	9.8	5.8	8.1	6.2
Federal Military	223	230	234	246	3.5	3.0	1.8	5.3
State & Local	2549	2845	3075	3303	8.4	11.6	8.1	7.4
Plus:								
Property Income	5338	5578	5785	6317	8.6	4.5	3.7	9.2
Transfer Payments	3209	3417	3623	3865	8.0	6.5	6.0	6.7
Residence Adjustment	-1181	-1288	-1350	-1391	15.3	9.1	4.8	3.0
Less: Social Ins. Contributions	2001	2228	2438	2776	16.6	11.3	9.4	13.9
Equals: Total Personal Income	36364	39663	42731	46228	10.3	9.1	7.7	8.2
Nonfarm Personal Income	36261	39565	42629	46114	10.4	9.1	7.7	8.2
% of Georgia Nonfarm	48.92	49.51	50.18	50.61	---	---	---	---
Population (#,Thousands)	2472	2564	2660	2751	3.84	3.72	3.75	3.43

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-1(r)	86-2(r)	86-3(r)	86-4(r)	87-1(p)	Mar(p)	86-1(r)	86-2(r)	86-3(r)	86-4(r)	87-1(p)	Mar(p)
Total	2638.1	2657.6	2684.8	2717.9	2757.4	2756.8	1302.4	1318.6	1340.8	1361.5	1381.6	1384.7
Mining	8.3	8.1	8.6	8.8	8.9	8.9	1.3	1.3	1.6	1.7	1.7	1.7
Contract Construction	151.9	153.1	157.2	162.1	163.9	160.1	71.3	75.1	82.8	84.7	80.7	82.6
Manufacturing	567.5	563.8	562.1	564.9	568.4	570.5	193.4	192.2	190.5	192.8	192.7	192.0
Durables	224.9	221.9	219.7	221.8	222.9	223.7	102.5	100.8	98.6	100.6	99.8	99.6
Lumber	35.7	34.9	34.2	34.9	35.1	35.1	5.1	5.2	5.0	5.2	5.3	5.3
Furniture	12.0	11.7	11.7	11.7	11.9	12.0	4.6	4.5	4.4	4.5	4.6	4.4
Stone, Clay, Glass	20.8	20.8	20.9	20.9	21.0	21.0	10.1	10.0	10.2	10.4	10.5	10.5
Primary Metals	15.6	15.1	15.4	15.2	15.3	15.5	6.8	6.1	6.8	6.6	6.7	6.8
Fabricated Metals	20.1	20.6	20.4	20.5	20.6	20.7	9.4	9.3	9.2	8.8	8.8	8.8
Nonelectrical Machinery	26.6	26.0	25.8	25.9	26.3	26.6	11.2	10.9	11.2	10.6	11.2	11.2
Electrical Machinery	29.3	29.5	29.2	29.0	29.7	30.0	15.8	15.3	15.4	15.4	15.3	15.3
Transportation Equipment	51.4	51.0	50.0	51.3	50.2	50.0	33.7	33.7	30.7	33.6	31.9	31.5
Other Durables	12.4	12.2	12.1	12.4	12.7	12.8	5.8	5.8	5.7	5.6	5.6	5.7
Nondurables	342.7	341.9	342.4	343.1	345.4	346.8	90.9	91.4	92.0	92.2	92.9	92.5
Food	60.2	60.3	60.8	61.0	61.4	61.6	21.7	21.9	22.0	21.8	21.9	21.8
Textiles	102.1	102.3	103.7	104.1	105.3	106.2	7.0	7.2	7.3	7.5	7.7	7.7
Apparel	70.5	70.0	69.4	69.1	69.8	69.9	12.6	12.5	12.4	12.2	11.8	11.9
Paper	30.7	31.1	30.9	31.2	31.3	31.3	8.8	8.8	9.0	9.2	9.3	9.3
Printing	35.8	36.5	36.7	37.2	37.2	37.2	22.9	23.1	23.3	23.7	23.9	23.8
Chemicals	19.4	19.2	19.3	19.0	18.7	18.6	9.5	9.6	9.9	9.5	9.7	9.7
Leather	1.7	1.6	1.4	1.3	1.2	1.2	---	---	---	---	---	---
Other Nondurables	22.3	20.9	20.2	20.3	20.6	20.8	8.4	8.3	8.0	8.3	8.7	8.3
Transportation, Comm. & Util.	165.9	166.0	166.8	167.3	169.1	169.1	107.3	107.7	109.1	109.5	110.3	110.3
Trade	654.5	664.2	674.6	684.4	700.4	700.5	358.9	364.4	370.5	377.7	387.7	387.2
Wholesale	193.6	195.0	196.6	203.1	205.4	204.8	126.4	128.3	130.0	132.6	135.7	135.5
Retail	460.9	469.1	478.0	481.3	495.1	495.7	232.5	236.1	240.5	245.1	252.0	251.7
Finance, Ins. & Real Estate	141.4	144.0	146.8	149.1	150.8	150.6	92.2	93.8	95.2	96.6	97.7	97.6
Services	490.7	499.8	508.6	523.4	532.6	533.3	294.9	300.1	307.5	315.3	323.5	323.8
Government	457.9	458.6	460.0	458.0	463.3	464.0	183.2	184.2	183.6	183.2	187.3	189.5
Federal	96.9	95.8	95.2	96.1	97.1	97.5	39.6	39.5	39.1	39.6	40.2	40.4
State and Local	361.0	362.7	364.8	361.8	366.2	366.5	143.6	144.8	144.5	143.6	147.1	149.0
State	106.9	106.9	106.5	107.3	109.0	108.9	36.6	36.4	36.0	36.7	36.5	37.3
Local	254.2	255.9	258.3	254.5	257.2	257.6	107.1	108.3	108.5	106.9	109.6	111.8

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May 1987

Table 6 Metro Atlanta Housing Permits for 1984 through 1986 with Forecasts through 1988

	1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	66	4	64	0	115	0	130	0
Cherokee	1446	28	1632	155	2450	265	2140	120	2060	150
Clayton	1088	717	1408	1424	1559	1832	1670	1560	1260	940
Cobb	5547	3669	5713	3003	5875	3922	5330	2420	5180	1760
DeKalb	2241	3951	2686	4302	3265	3647	2760	2020	2480	1760
Douglas	497	45	702	189	779	242	710	40	880	270
Fayette	----	----	692	0	822	15	1170	0	1150	0
Forsyth	609	53	718	76	782	88	755	20	765	40
Fulton	2549	4010	3048	4143	3416	4259	3170	2430	2980	2060
Gwinnett	5731	6401	6905	4112	5728	4062	6560	1630	6140	1840
Henry	656	192	899	126	1322	164	1640	460	1780	530
Newton	----	----	311	14	373	62	440	45	600	60
Paulding	----	----	718	0	927	6	1280	10	1340	20
Rockdale	608	214	692	120	1075	283	1070	130	1136	160
Walton	----	----	286	0	343	0	300	0	320	0
Total	21039	19280	26476	17668	28780	18847	29110	10885	28201	9590
% Change From Previous Year			+22.7	-8.5	+8.7	+6.7	+1.1	-42.2	-3.1	-11.9
% Change in Total (single + multi)			+7.8		+7.9		-16.0		-5.5	
Estimated Potential Absorption (000)	40.6		48.0		43.9		43.4		42.9	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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Georgia & Atlanta

1987–1988

Five Year Atlanta Forecast

Economic Forecasting Center

Georgia State University, College of Business Administration, August 1987

Dr. Donald Ratajczak, Director

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

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GEORGIA'S ECONOMY SLOWS DESPITE SOME STRENGTH IN INDUSTRIAL SECTOR

Dr. Donald Ratajczak
Director
Economic Forecasting Center

Summary

Economic activity after seasonal adjustment came to a halt in Georgia during the second quarter. Although construction activity remained unchanged, seasonal factors normally cause significant growth in construction. As a result, actual construction job reductions will be experienced during the fall and winter months. Retailing also has slowed sharply as retail sales in the entire South Atlantic region slowed following strong performances the previous year.

Fortunately, the dollar's decline has increased the competitiveness of Georgia industry. Gains are especially noteworthy for the previously lackluster textile industry. The machinery, chemicals, and paper industries should also increase activity in the next twelve months. Thus, pockets of strength are offsetting pockets of weakness in retail and construction activity. Indeed, Georgia's unemployment rate may decline to 5.2% in 1987, although employment growth also will slow to only a 3% gain. Continued weakness in construction should cause employment to grow at a modest 2.4% in 1988.

Following surprisingly robust growth during the first quarter, Georgia's state product experienced minimal growth in the spring after seasonal adjustment. More significant economic expansion is anticipated during the second half, however. As a result, Georgia's state product should grow nearly 4%, a modest slowing from the 4.7% experienced in 1986. Growth in 1988 is expected to slow further to 3.5%. Although Georgia's personal income continued to grow more rapidly than in the United States during the first quarter, growth is not expected to exceed the national average during the remainder of the year. Relatively robust earnings gains in construction during the past two years will be replaced by minimal growth in the next two years. Farm income should recover substantially from first quarter weakness, although a salmonella scare has reduced prices for poultry products, which could cut more than $100 million from previously projected farm incomes. A modest recovery in farm incomes then is anticipated in 1988.

Recent Conditions

After seasonal adjustment, payroll employment in Georgia showed no increase in the second quarter. This is the first quarterly decline in our estimates of payroll employment since the 1982 recession, and contrasts with a 1.3% increase in payrolls after seasonal adjustment at the national level. This suggests that personal income in Georgia probably will grow more slowly than nationwide in the spring following a slightly more rapid rate of expansion during the winter months.

Most of the employment weakness during the spring was in contract construction and retail employment. Some earnings problems at regional banks also restrained employment gains there.

Partially offsetting the area's employment weakness are continued strong gains in the transportation sector, especially in communications and utilities. Also, services continue to expand, although the degree of growth in business services slowed substantially. Government employment continued to grow, however, with most of the gains occurring in local government.

Some weakness in contract construction should be anticipated through the remainder of this year, although a significant portion of the adjustment already has occurred. First half weakness clearly reflects an unusually sharp 17% decline in construction contracts in Georgia. This contrasts with a 2% gain in contracts nationwide. Also, housing activity has slowed dramatically, although some strengthening in single-family activity appears to be resurfacing in June and July following a virtual shutdown of real estate activity in May during a period of unusually disorderly and rising mortgage rates.

Weakness in construction also is reflected in weakness in construction-related manufacturing activities. Some of this weakness in furniture and the stone, clay group is expected to persist into 1988. Growth in nonelectrical machinery should intensify, helping offset those areas of weakness. In addition, modest employment growth is expected in the metals group next year. Transportation equipment may be reaching peak levels of employment, as the Lockheed-Georgia facility has reached peak employment for its current production lines and will soon have to reduce employment if no new products are forthcoming. By the end of 1988, it is assumed that Lockheed-Georgia will reduce employment by more than 8000 from current levels.

Current weakness in retailing appears to be a delayed response to the retail overemployment that occurred in 1985 and was not corrected in 1986. In addition, consumer spending has begun to grow more slowly in Georgia than in the United States. Georgia's coincident indicators are less helpful than normal in gauging Georgia's economy as a shifting payment pattern for corporate taxes has substantially altered that component of the index. However, even adjusting for the corporate tax payment problems, the coincident indicators were lackluster in the spring. Most of the increase outside the corporate sector was in the farm sector, which was recovering from unusually weak conditions in the previous year. Total hours worked fell slightly in the spring, tending to confirm a minimal rate of economic expansion at that time. In June, the payments problem associated with corporate taxes appeared to have ended and the coincident index showed a modest rate of expansion. Indeed, even the index of hours worked rebounded that month. Thus, more significant growth in the Georgia economy probably will be apparent in the summer months.

Georgia's leading indicators expanded a nearly normal 3.2% at annual rates during the spring, but slowed significantly in June. Initial unemployment claims, which had been declining substantially during the first five months, rose in June. After adjustment for inflation, revenues fell in June, following five months of more rapid gains than underlying prices. The consumer, on the other hand, increased spending in the spring. The construction indicators were mixed, with residential permits rebounding in June from a sharp decline in May while nonresidential construction contracts slipped in June after inflation adjustment following a significant rebound in May. On balance, the leading indicators suggest that continued modest economic expansion is expected in Georgia during the second half of this year.

Moreover, the ratio of the leading to coincident indicators has improved, suggesting that recent economic activity has been below sustainable levels.

During the first quarter, the farm economy nationwide rebounded more strongly than in Georgia, as more crop support programs were available for farmers nationwide than in drought-striken Georgia. Income from the Georgia nonfarm economy grew more rapidly than nationwide during the first quarter. More than national average rates of gain were recorded for mining, wholesale and retail trade, financial services, business services, and state and local government payrolls. Earnings grew more slowly in Georgia for the military, both durable and nondurable manufacturing, and construction. Unemployment benefits jumped sharply in Georgia while they were declining nationwide.

Because of gains in the service and retail economies, wage and salary gains were slightly stronger in Georgia than nationwide. If our seasonally adjusted payroll estimates are correct, personal income gains at an annual rate in Georgia should trail national performance during the spring.

Sales gains in the South Atlantic states slowed further relative to the nation although retail trade remained slightly above the nation over the past year. During the first five months of 1987, retail sales in Atlanta were a dramatic 10.1% behind previous year levels. Much of this weakness was in nondurable goods, as sales in department stores were more than 8% above previous year levels. In Georgia, taxable sales slowed slightly to only a 5.8% gain from previous year levels as compared to a 6.1% gain in the fall quarter. After inflation, this indicates that the volume of retail activity in Georgia increased 3%. Obviously, a 5.6% increase in retail employment during the past year was more than sufficient to meet these sales. After adjustment for service expenditures, consumption growth probably was in the vicinity of 7%. This is a percentage point less than the increase in Georgia disposable income. Thus, Georgians continued to add to their savings in 1986 and early 1987.

Despite slowing in employment opportunities, the Georgia unemployment rate fell by nearly a percentage point over the past year to 5.1% in June. This compares with a percentage point improvement in the United States to an unadjusted 6.3% in the comparable month. Most of the improvement in unemployment outside of Atlanta is the result of minimal growth in the labor force and more significant growth in employment opportunities. Indeed, the household surveys show that the labor force outside of Atlanta grew less than 4600. At the sames time, employment outside Atlanta, according to household surveys, expanded more than 27,000. Labor force reductions largely helped Albany reduce its unemployment rate by 3 percentage points to 9.1% in June. However, employment did rebound by more than a thousand jobs in the first monthly comparison beyond the closing of the Firestone tire plant. The other metropolitan areas in Georgia also showed significant unemployment improvement. The unemployment rate in Columbus fell by nealy 2 percentage points to 5.8% as robust employment gains and sluggish labor force growth whittled away the unemployed. Unemployment in Savannah was down by a percentage point to 5.6% despite problems associated with the USL bankruptcy at the Savannah port. Augusta also had a 5.6 unemployment rate, but this was only marginally better than a year ago as a result of significant gains in the labor force that were offset by equally significant employment gains. Macon showed even a larger percentage gain in employment as its unemployment rate fell by nearly a percentage point to 5.4%. However, unemployment appeared to increase more than seasonally between May and June. Atlanta's strong employment gains were nearly offset by equally strong gains in the labor force, thereby causing the unemployment rate to fall only modestly to 4.4%. The lowest unemployment rate in the state occurred in Athens where the unemployment rate has improved a

percentage point to 3.8% as employment grew a vigorous 4.7% in the past year. There has been a slight narrowing in the employment estimates by household and payroll in the past few months. However, the household survey still shows 20,000 more job gains than the payroll surveys.

Despite signs of weakness in construction and retail, Georgia's insured unemployment rate, which is more heavily industrial based, fell to less than 1.5% in June. In Atlanta, the rate is slightly below 1.2%. Nationwide, the insured unemployment rate also fell, but only marginally to 2.4%. In previous economic cycles, insured unemployment rates below 1.5% for Georgia and below 1.0% for Atlanta began to generate wage increases that reflected shortages in labor skills. Thus, in the absence of increased migration from other states, wage pressures could begin to develop and reduce the near term attractiveness of Georgia.

As feared, Georgia's thrift industry had too many mortgage commitments outstanding when interest rates abruptly rose in April. Thus, regulatory capital in Georgia institutions decreased 0.5% in the latest quarter. This compares with an increase of 0.8% nationwide and 2.1% in the entire Southeast. Deposit growth was relatively modest throughout the thrift industry. Georgia institutions experienced a gain of 0.5%. This compared with only a 0.2% gain for the nation and a decline of 0.4% in the Southeast. Obviously, Georgia institutions became conservative following overextended commitments in the past quarter. As a result, commitments to originate mortgages in the usually heavy spring quarter were up only 5.5% in Georgia institutions. This compared with a gain of 18.9% in all institutions nationwide and a larger gain of 25.8% for Southeastern institutions. Now that mortgage rates have stabilized, some expansion in Georgia regulatory capital should be anticipated next quarter.

The explosion in mortgage rates is not yet readily apparent in the effective rates on all loans closed. Using this mortgage benchmark, mortgages nationwide still are down 0.76 percentage points from a year ago. In Atlanta, a somewhat lower effective rate was down 0.80 percentage points from the previous year. Housing prices nationwide were $117,900, up $7500 from the previous year. This compares with a housing price of $126,200 in Atlanta, an increase of $18,100 from a year ago. Effective mortgage rates probably will average 10.5% in Atlanta for the remainder of this year and continue to rise slightly to almost 11% in 1988. However, most of the damage in housing activity occurred in May and June following the mortgage rate explosion. As institutions become more willing to provide commitments, housing activity should firm slightly at these high but relatively stable mortgage rates.

Revenue collections suggest that the Georgia economy slowed during the second quarter. Revenue gains were up only 6.9% from the quarter of the previous year. This compares with year over year gains of 10.0%, 6.4%, 5.9%, and 6.4% in previous quarters. Moreover, revenue gains in June slowed to only 5.6% above year ago levels. As a result of this slowing, collections in the last fiscal year were up 7.1%, slightly below the 7.5% anticipated three months ago. However, this sluggish activity is not expected to persist. Therefore, revenues should grow nearly 8% in the next fiscal year and possibly accelerate slightly to a gain of 8.5% in the year after that.

For the first time since the beginning of this decade, year over year tax collections for sales taxes, personal income, and corporate tax accruals all were lower in Georgia than in the nation. Sales tax collections were up a

sluggish 5.1%. This compared with gains of 5.4%, 2.5%, 3.0%, and 7.2% in previous quarters. All other state and local governments saw their sales tax collections grow by 7.6%. In previous quarters these gains were 8.5%, 7.6%, 7.6%, and 5.7%. Personal income tax collections slowed their rate of gain in Georgia to only 9.6% in the second quarter. This compared with gains of 12.2%, 8.0%, 8.9%, and 12.4% in previous quarters. Aided by heavy capital gains taxes, personal income tax collections were up a resounding 13.1% from previous year levels for all state and local governments. This was a substantial rebound from gains of 5.8%, 6.9%, 6.7%, and 3.9% in previous quarters. Corporate tax accruals slowed to only a 2.9% gain over the quarter and actually showed a decline in June. This compares with gains of 26.3%, 21.2%, and 7.5% in previous quarters. All state and local governments did not experience the same slowing in tax accruals, as their gains were a still-robust 15.9%. This compared with gains of 28.5%, 14.6%, 5.8%, and 10.5%. Revenue estimates provide one more piece of evidence that the Georgia economy slowed relative to the national economy during the second quarter.

Summary of Outlook

As the above figures on Georgia thrift activity, tax receipts, and taxable sales show, employment weakness in Georgia has not been confined to the construction industry. However, the construction industry clearly is where most of the weakness currently is surfacing. Several large industrial construction projects are winding down. In addition, highway construction appears to be slowing following a significant surge in the past two years. The substantial falloff in construction contracts during the first half of 1987 also indicates that commercial activity is slowing throughout the state. A sharp increase in mortgage rates in April accentuated developing weakness in the housing sector. Apartment activity already was slowing significantly prior to the mortgage rate surge. Because sales slowed abruptly, single-family activity also weakened.

The construction-related manufacturing industries also are beginning to experience weakness, which should continue into 1988. However, improving competitiveness of Georgia industries that is being generated by the dollar's weakness should cause the metals industry to rebound from a modest 1986 slump. Machinery already is showing some strength and should strengthen further. An auto assembly plant is currently on layoff for extensive remodeling. However, the rebound in transportation equipment employment following the end of this remodeling will not be as substantial as otherwise would develop because of significant slowing in the employment in 1988 of a major aerospace company. Nevertheless, some acceleration in durable payroll growth should develop.

Increased competitiveness appears to be not enough to turn around the Georgia apparel industry. However, the textile industry certainly is doing quite well. Unfortunately, weakness in automobiles, commercial activity, and housing sales nationwide should slow the currently booming carpet industry. However, yarn and cotton weaving plants could overcome employment weakness suffered as carpet activity adjusts. Weakness in chemicals appears to be the result of some plant closings along the coast. With improvement in the competitiveness of Georgia industry, some rebound in chemicals is now anticipated next year.

Despite the slowing in textile employment opportunities, nondurable employment should grow at moderate rates over the next two years. Sharp gains

in communications payrolls will be matched by significant gains in payrolls by utilities and the trucking industry as more American goods are distributed. However, the slump in retail employment activity during the spring is only expected to be modestly reversed. Also, wholesale activity should expand slowly in 1988. A similar slowing in the growth of the financial sector also is anticipated. Part of this will be the result of reduced employment opportunities in real estate. However, some earnings difficulties at regional banks will also restrict the growth of employment by financial institutions. In 1988, an anticipated reduction in trading volume on the exchanges should slow the growth of employment opportunities in the brokerage and underwriting industries.

The surge in employment opportunities in business services appears to be subsiding. Much of this employment increase was the result of extensive use of temporaries. As employment opportunities slow, however, the demand for temporaries is expected to slow disproportionately. Also, as the rate of building completions slow, the use of maintenance and security services for such buildings should also expand at a slower rate. Opportunities in the government sector already have slowed modestly as local governments have lost general revenue sharing. This has created restraints upon budgetary processes. No substantial further slowing in government is expected, however, as growing populations will demand increased services.

With substantial slowing in employment opportunities for construction workers and retail personnel, and with some slowing even in the financial and business service sectors, employment growth in the state should slow notably. Only 80,300 jobs are expected to be created in 1987. Job creation in 1988 should slow to 65,800 jobs. As employment opportunities slow, migration into the state also is expected to slow. As a result, the unemployment rate should rise only slowly next year, but should rice.

The slower gains in employment opportunities will be reflected in reduced gains for personal income during 1987. Moreover, inflation probably will rebound in Georgia to more than 4%. Thus, real purchasing power will gain less than 3%. A projected 4.3% gain in retail employment, while significantly slower than in previous years, will still be slightly excessive for this degree of purchasing power. However, the Georgia consumer increased savings in 1986 and probably will be in a position to support that degree of retail employment growth in 1987.

In 1988 higher inflationary pressures should begin to put upward pressures on wages in the Georgia economy. As a result, personal income will grow more vigorously even as inflation intensifies slightly. Real purchasing power probably will expand about 3% in that year. This is largely consistent with the 3.2% gain projected for retail employment.

The slowing in employment opportunities is expected to slow migration into the state. As a result, population gains should slow from more than 2% per year in 1986 to slightly less than 2% during the next two years.

On balance, the Georgia economy must remove excesses in construction and also slow its rate of expansion in retail activity. Because of sluggishness in parts of the economy, the demand for temporaries and for janitorial and security services, all of which are in the business service category, will also grow more slowly. Thus, especially vigorous rates of employment growth that Georgia experienced in the past several years are not expected to persist.

SLOWER GROWTH ALSO SEEN FOR ATLANTA

Recent Conditions and Outlook

Seasonally adjusted payroll employment fell modestly in Atlanta, showing the first weakness in employment opportunities since a brief decline in 1982. As in the remainder of the state, much of the cause of this weakness was in construction and the slowing of retail trade employment. However, the trade sector did not show as large a decline as in the state.

The weakness in construction is overdue and reflects the absence of any new public works or commercial activity. In addition, the sales slump in housing initiated by the return to double-digit mortgages also significantly reduced residential construction. Further slowing in construction is anticipated, although the absorption of available space may eliminate excess construction activity more quickly than originally anticipated.

The construction-related manufacturing sectors all showed weakness in Atlanta, as they did in the state. However, some of the earlier gains made by the stone and clay sector continues to prevail. The metals sector also performed better in Atlanta than statewide. Machinery showed stronger gains as well. As a result, employment gains for durable goods industries were more substantial in Atlanta during the second quarter than in the state.

In nondurables, the absence of significant textile activity in Atlanta caused a modest slowing. Weakness in the apparel industry may persist, but the textile industry should show modest improvement in the months ahead. Rapid expansion in printing has ended, but further gains are expected in that sector.

As anticipated, the transportation sector showed significant payroll gains during the spring. These gains were well distributed among utilities and communications industries as well as the transportation sector. Further gains are continuing into the third quarter. As a result, this sector will be a significant contributor to employment gains in the next two years.

The finance and service sectors both showed significant employment slowing in the spring. In the case of the financial group, this slowing reflects earnings concerns at some regional banks and could persist into 1988. In addition, slowing in real estate activity during the spring will cause expansion in real estate agents to come to a halt. In the services, however, slower growth is expected to be temporary. Business services should continue to rebound smartly while health services also are expected to expand. The government also should contribute significantly to employment gains over the next two years. Educational requirements are continuing to exert upward pressure in the education component of local government. Stronger population gains also require increased services at the state and federal level.

A sharp slump is developing in construction, but no substantial slowing appears to be developing in any other critical sector. Modest slowing is developing in the financial sector. However, manufacturing activity probably will grow more robustly despite reductions in transportation equipment employment, related to reductions at Lockheed-Georgia. Because of rapid population gains, the reduced rate of growth in payrolls will cause the unemployment rate to rise modestly next year.

Our most recent population estimates show a slight slowing in the migration into Atlanta in 1986. With employment opportunities growing more slowly in the next two years, further migration slowing is anticipated. By 1988, population growth will be slightly less than 3%. These shifts in population movements have led to a revision in the estimated potential abosrption of housing units. However, the dramatic slump in apartment construction that currently is developing will reduce the amount of new units more rapidly than the slowing in household formations. Therefore, any excesses in the housing market should be removed early in 1988.

According to the Coldwell Banker office vacancy survey, vacancies in Atlanta have fallen to the lowest level since September 1985. Vacancies in the downtown area are now at a sustainable 10.0%, which compares quite favorably with 16.3% estimated nationwide in downtown areas. However, the Atlanta downtown area ends at the Peachtree Summit Building and does not include the significant vacancies that are beginning to materialize as construction completions develop in the Midtown area. Suburban vacancy rates also have dipped slightly to 19.7% in Atlanta in comparison to 22.7% nationwide. These figures strongly suggest that unusually high aborption rates of the first quarter are being sustained during the second quarter. Of course, the slowing in business service growth will probably reduce absorption rates during the second half of this year. At that time, vacancy rates should rise slightly in Atlanta despite reduced completions. Nevertheless, these office vacancy rates definitely are encouraging and suggest that sufficient vibrancy remains in the Atlanta economy to establish a reasonable balance between demand and supply before the end of this decade. Indeed, the market already is balanced in the downtown area. Nevertheless, rent concessions continue to be widespread and there has been no significant increase in the effective rental rate during the past two years.

Just as industrial activity was about to become seriously overbuilt in Atlanta, a combination of reduced supply and increased demand have caused absorption to outstrip completions. As a result, the vacancy rate has fallen to 5.0%, a significant improvement from the 6.1% registered nationwide. Moreover, this is down from 5.7% in the previous quarter. Significant amounts of industrial supplies still are scheduled to come on the market in the second half of the year. However, it now appears that the vacancy rates will not rise significantly this year from previous year levels. This suggests that the absorption rate is running in excess of eleven million square-feet. Except for the current inventory overhang, this rate of absorption would establish good balance between demand and supply in the industrial sector. Thus, the slump in construction activity may not be as prolonged as appeared likely six months ago. Construction will be down sharply over the next year, but a rebound already could begin developing before the end of 1988.

Apartment construction has slowed dramatically in the Atlanta area during the first six months. Activity metrowide is down 60%. The largest decline is in Gwinnett, where no apartment permits have been issued this year in comparison to 1844 issued a year ago. The decline is nearly as bad in Fulton outside Atlanta where apartment permits are down 96% to only 30 from 833 a year ago. Surprisingly, permits are up in Cobb county as several large projects were able to obtain financing. However, the vacancy rates are much lower than in Gwinnett. Given this first half collapse in the apartment market, it now appears that multi-family permits will be down almost 60% for the year. Even Cobb county is expected to have fewer apartment permits than in the previous year, although it will easily outdistance all the other counties.

In fact, the apartment collapse is so dramatic that it alone would be driving new housing units below projected household formations. However, the single-family market also has been unhinged by a dramatic rise in mortgage rates. Although a second half recovery in housing activity is anticipated, single-family permits will be down for this year. Unlike apartment activity, however, Gwinnett has not been one of the counties experiencing declines. However, the overhang of inventory will slow housing activity slightly in the next six months. The other counties showing increasing single-family activity in the first half include Rockdale +6%, Fayette +25%, Henry +18%, and Paulding +51%. The high cost of land on the north side has forced builders to provide $150,000 homes in areas where people's incomes can support only $100,000 homes. Some of the resale activity in developments on the north side has been especially weak. This has slowed consumer acceptance. However, the resale market in general remains strong in Atlanta suggesting that the housing market will rebound for single-family homes in 1988 even if mortgage rates remain near current levels. If mortgage rates decline, the developing imbalance between potential household formations and additional housing units could cause a demand imbalance, leading to significantly higher housing prices. Indeed, the dramatic falloff in apartment activity probably accelerates the speed by which the Atlanta housing market will regain balance. Apartments probably will weaken further in 1988 to force the vacancy rates toward an economically sustainable 5.5% under prevailing tax laws. However, rents should begin rising relative to inflation by the middle of 1988 and this should begin stimulating single-family housing activity by the end of that year.

During the first quarter, taxable sales in Atlanta had slowed to only a half percentage point above sales growth statewide. At 6.4%, this suggests that total consumption in Atlanta probably was only 7% above previous year levels. Personal income is growing faster than that. Moreover, disposable income probably has increased a percentage point more than estimated consumption. Thus, the savings rate should be rising by about a percentage point in Atlanta. On the other hand, the magnitude of taxable sales adjusted for inflation suggests that employment gains in trade activities should only be 4%. Our current projections, though less than three months ago, continue to show more than a two percentage point excess in retail employment relative to purchasing power. This excess is creating significant competitive conditions in the retail sector and probably will slow retail employment. Indeed, our projections for 1988 could prove to be too high. Only a significant slowing in the growth of wholesale employment justifies our 1988 retail analysis.

Some counties are showing taxable sales gains in keeping with their growth in housing activity, while others are not. For example, the strong housing activity in Paulding county is reflected in a 16.6% growth in taxable sales. Moderate gains in Rockdale county are consistent with its gains of more than 10% in taxable sales. However, the sharp expansion in housing activity in Henry county corresponds to a 1.1% decline in taxable sales in the first quarter. Gwinnett county is maintaining double-digit growth in taxable sales with a modest 12.9% increase from a year ago. Although taxable sales in Fulton county grew more slowly than in the state, up only 5.5%, sales gains accelerated from the fourth quarter. Forsyth county, by contrast, showed its poorest growth in taxable sales since the 1974 recession. Taxable sales also slowed to only an 8.1% growth in Fayette county. Possibly, the slowing in taxable sales growth to only 2.6% in Douglas county was responsible for the downgrading of a previously proposed regional mall in that area. Sales in DeKalb were up a respectable 7.2% following a strong Christmas surge. This was not far behind a 7.9% gain in Cobb

county, which is a smaller gain than would be expected from its strong housing activity. The 7.4% gain in taxable sales in Clayton county also appears to be sluggish relative to its housing activity. However, activity in Cherokee appears to be intensifying following a year of relatively disappointing growth, with sales rebounding to 13.6% in the first quarter.

In 1986, Fayette county showed the most rapid population growth at 10.3%. Gwinnett showed the largest absolute gain in population as its 23,800 gain was a 9.4% increase. Every county registered population gains in the metropolitan area, although the increase in Fulton county was a surprisingly sluggish 0.4%. Despite more rapid growth in housing activity in Henry county, population growth slowed there from 5.9% to 4.5%. Population growth also slowed in Cobb county to only a 4.6% gain and in DeKalb to only a 2.5% gain. Clayton also showed only very modest population growth despite more rapid housing activity there. On the other hand, population gains accelerated in Rockdale county and continued to show strong advances in Cherokee.

Atlanta is showing the same weakness in construction activity that is beginning to develop nationwide. As expected, this weakness already is slowing employment gains to only 57,200 in 1987 from 69,400 in 1986. Further slowing is anticipated in 1988 as construction activity slumps. However, the weakness in construction appears to be removing excesses at a relatively rapid rate. Although the mix of housing may remain inappropriate, household formations probably will exceed housing activity by a comfortable margin both in 1987 and 1988. With a dramatic slump in apartment construction, vacancies there should move toward sustainable levels by the end of 1988. Excesses in office buildings and in industrial activity also appear to be diminishing.

On the other hand, excesses remain substantial in the trade sector. Indeed, employment opportunities could slow more dramatically there than currently projected. In addition, some weakness could develop in several important manufacturing activities. As a result, the Atlanta economy could continue to slow in the second half of 1988. However, sufficient employment opportunities appear to exist to prevent any significant downturn in the overall Atlanta economy. Moreover, the construction adjustments may be completed by the early months of 1989. If so, renewed economic growth could develop without the intervention of a recession in this decade.

Some observers have argued that Atlanta is too optimistic for its own good. In fact, current employment adjustments suggest that Atlanta's optimism is tinged with realism. Instead of delaying response to market adjustment signals, the construction economy in Atlanta appears to be moving vigorously toward removing imbalances before they become too excessive. As a result, Atlanta's future still looks bright.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts for 1987 through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.1	8.4	8.9	9.0	3.9	3.7	6.0	1.1
2. Construction	143.8	156.2	156.6	150.8	9.4	8.6	0.3	-3.7
3. Manufacturing	557.1	564.6	568.9	575.7	1.9	1.3	0.8	1.2
Durables	220.1	222.1	223.0	225.4	6.0	0.9	0.4	1.1
Lumber	35.7	34.9	34.5	34.1	5.0	-2.2	-1.1	-1.2
Furniture	11.9	11.8	11.6	11.2	8.2	-0.8	-1.7	-3.4
Stone, Clay, Glass	19.9	20.8	20.8	20.5	5.9	4.5	0.0	-1.4
Primary Metals	16.5	15.4	15.3	15.6	1.9	-6.7	-0.6	2.0
Fabricated Metals	20.7	20.6	20.6	20.8	2.0	-0.5	0.0	1.0
Nonelectrical Machinery	26.0	26.1	27.0	27.7	7.4	0.4	3.4	2.6
Electrical Machinery	27.7	29.2	29.5	30.1	4.5	5.4	1.0	2.0
Transportation Equipment	49.1	50.9	50.9	52.1	11.3	3.7	0.0	2.4
Other Durables	12.6	12.3	12.8	13.3	1.6	-2.4	4.1	3.9
Nondurables	337.0	342.5	345.9	350.3	-0.6	1.6	1.0	1.3
Food	59.3	60.6	61.0	61.9	3.7	2.2	0.7	1.5
Textiles	100.8	103.0	106.4	107.3	-3.9	2.2	3.3	0.8
Apparel	70.4	69.8	69.2	69.5	-6.3	-0.9	-0.9	0.4
Paper	30.3	31.0	31.0	31.8	1.3	2.3	0.0	2.6
Printing	34.1	36.6	37.4	38.1	10.7	7.3	2.2	1.9
Chemicals	19.3	19.2	18.6	18.9	2.1	-0.5	-3.1	1.6
Leather	1.6	1.5	1.3	1.2	-5.9	-6.3	-13.3	-7.7
Other Nondurables	21.2	20.9	21.0	21.6	3.9	-1.4	0.5	2.9
4. Transportation, Comm. & Utilities	163.0	166.5	170.3	175.4	4.2	2.2	2.3	3.0
5. Trade	643.0	669.6	697.1	716.7	6.7	4.1	4.1	2.8
Wholesale	195.4	197.1	204.3	208.1	4.2	0.9	3.7	1.9
Retail	447.6	472.5	492.8	508.6	7.9	5.6	4.3	3.2
6. Finance, Ins. & Real Estate	136.8	145.3	150.5	155.3	6.6	6.2	3.6	3.2
7. Services	469.3	505.7	537.8	565.9	8.2	7.8	6.3	5.2
8. Government	448.7	458.6	465.2	472.3	1.5	2.2	1.4	1.5
Federal	94.2	96.0	97.1	98.2	5.3	1.9	1.1	1.1
State	104.8	106.9	108.6	110.5	1.0	2.0	1.6	1.7
Local	249.7	255.7	259.5	263.6	0.4	2.4	1.5	1.6
Total Wage & Salary Employment	2569.8	2675.0	2755.3	2821.1	5.0	4.1	3.0	2.4
Unemployment Rate	6.5	5.9	5.2	5.5	8.3	-9.2	-11.9	5.8

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August 1987

Table 2

Georgia Personal Income for 1985 and 1986 with Forecasts for 1987 and 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52702	56087	60008	10.3	8.4	6.4	7.0
2. Other Labor Income	4615	5042	5338	5664	10.1	9.3	5.9	6.1
3. Proprietors' Income	5223	5888	6440	7086	1.5	12.7	9.4	10.0
Farm	683	653	652	789	-37.6	-4.4	-0.2	21.0
Nonfarm	4540	5235	5788	6297	12.0	15.3	10.6	8.8
Labor & Proprietors' Income:								
1. Farm	833	807	817	962	-33.0	-3.0	1.2	17.7
2. Mining	286	295	324	339	2.3	3.3	9.8	4.7
3. Contract Construction	3876	4570	4573	4558	11.5	17.9	0.1	-0.3
4. Manufacturing	12072	12866	13413	14159	7.1	6.6	4.3	5.6
Durables	5409	5756	5891	6222	10.7	6.4	2.3	5.6
Nondurables	6663	7110	7522	7937	4.6	6.7	5.8	5.5
5. Transportation & Utilities	5478	5732	6089	6554	8.8	4.7	6.2	7.6
6. Trade	11562	12198	12865	13793	12.4	5.5	5.5	7.2
Wholesale	5495	5760	6081	6504	13.0	4.8	5.6	7.0
Retail	6067	6439	6784	7289	12.0	6.1	5.4	7.4
7. Finance, Ins. & Real Estate	3592	4228	4736	5131	18.0	17.7	12.0	8.3
8. Services	10604	11954	13361	14832	13.3	12.7	11.8	11.0
9. Other Industries	256	282	299	326	12.9	10.0	6.0	9.0
10. Government	9889	10701	11388	12104	7.6	8.2	6.4	6.3
Federal Civilian	2501	2621	2743	2899	9.0	4.8	4.7	5.7
Federal Military	1421	1453	1456	1570	3.6	2.2	0.2	7.8
State & Local	5967	6627	7189	7635	8.0	11.0	8.5	6.2
Plus:								
Property Income	10257	10592	11008	11925	8.1	3.3	3.9	8.3
State U.I. Benefits	211	226	281	338	7.7	7.1	24.3	20.3
Other Transfers	9656	10265	10853	11537	8.1	6.3	5.7	6.3
Residence Adjustment	-218	-251	-268	-275	25.5	15.3	7.2	2.6
Less: Social Ins. Contributions	3392	3723	4010	4507	15.3	9.8	7.7	12.4
Equals: Total Personal Income	74960	80743	85729	91776	8.8	7.7	6.2	7.1
Nonfarm Personal Income	74127	79935	84912	90814	9.5	7.8	6.2	7.0
% of U.S. Nonfarm	2.26	2.32	2.34	2.36	---	---	---	---
Population	5975	6104	6220	6335	2.34	2.16	1.89	1.85

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August 1987

Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.8	1.9	9.0	20.8	20.0	5.6
2. Contract Construction	71.6	78.4	79.2	73.7	12.6	9.5	1.0	-6.9
3. Manufacturing	185.6	192.2	193.0	196.4	5.9	3.6	0.4	1.8
Durables	97.4	100.6	100.6	102.4	9.3	3.3	0.0	1.8
Lumber	4.9	5.1	5.2	5.1	28.9	4.1	2.0	-1.9
Furniture	4.7	4.5	4.4	4.3	2.2	-4.3	-2.2	-2.3
Stone, Clay, Glass	9.5	10.2	10.5	10.3	9.2	7.4	2.9	-1.9
Primary Metals	6.9	6.6	6.7	6.8	7.8	-4.3	1.5	1.5
Fabricated Metals	9.3	9.2	8.9	9.1	5.7	-1.1	-3.3	2.2
Nonelectrical Machinery	10.5	11.0	11.7	12.5	9.4	4.8	6.4	6.8
Electrical Machinery	14.2	15.5	15.4	16.0	7.6	9.2	-0.6	3.9
Transportation Equipment	31.8	32.9	32.3	32.7	11.2	3.5	-1.8	1.2
Other Durables	5.7	5.7	5.5	5.6	7.5	0.0	-3.5	1.8
Nondurables	88.2	91.6	92.4	94.0	2.3	3.9	0.9	1.7
Food	20.6	21.9	21.9	22.3	3.5	6.3	0.0	1.8
Textiles	7.5	7.2	7.6	7.8	-10.7	-4.0	5.6	2.6
Apparel	12.7	12.4	11.7	11.4	-3.8	-2.4	-5.6	-2.6
Paper	8.6	8.9	9.4	9.7	2.4	3.5	5.6	3.2
Printing	21.5	23.3	23.9	24.5	8.6	8.4	2.6	2.5
Chemicals	9.5	9.6	9.6	9.8	2.2	1.1	0.0	2.1
Other Nondurables	7.7	8.2	8.3	8.5	5.5	6.5	1.2	2.4
4. Transportation, Comm. & Utilities	104.8	108.4	112.1	115.3	4.4	3.4	3.4	2.9
5. Trade	350.7	368.0	389.9	409.7	3.9	4.9	6.0	5.1
Wholesale	125.4	129.3	135.8	139.4	1.1	3.1	5.0	2.7
Retail	225.3	238.7	254.1	270.3	5.5	5.9	6.5	6.4
6. Finance, Ins. and Real Estate	88.9	94.4	97.6	100.5	7.9	6.2	3.4	3.0
7. Services	281.7	304.6	324.7	343.8	8.9	8.1	6.6	5.9
8. Government	178.0	183.5	189.9	195.4	2.1	3.1	3.5	2.9
Federal	38.3	39.4	41.0	42.1	6.1	2.9	4.1	2.7
State	35.5	36.4	37.5	38.4	0.9	2.5	3.0	2.4
Local	104.2	107.7	111.4	114.9	1.2	3.4	3.4	3.1
Total Wage & Salary Employment	1262.6	1331.0	1388.2	1436.7	5.8	5.4	4.3	3.5
Unemployment Rate	5.0	4.5	4.4	4.7	4.2	-10.0	-2.2	6.8

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College of Business Administration
Economic Forecasting Center
August 1987

Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts through 1988
(Millions of Dollars)

	1985	1986r	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26484	29120	31408	33917	11.6	10.0	7.9	8.0
2. Other Labor Income	2719	2991	3182	3380	11.5	10.0	6.4	6.2
3. Proprietors' Income	1796	2063	2284	2504	10.7	14.9	10.7	9.6
Farm	87	80	89	96	-14.5	-8.0	11.3	7.9
Nonfarm	1709	1983	2195	2408	13.3	16.0	10.7	9.7
Labor & Proprietors' Income								
1. Farm	103	98	107	116	-13.0	-4.9	9.2	8.4
2. Contract Construction	1828	2172	2189	2115	14.7	18.8	0.8	-3.5
3. Manufacturing	4942	5381	5568	5909	11.2	8.9	3.5	6.1
Durables	2896	3151	3211	3413	14.0	8.8	1.9	6.3
Nondurables	2046	2230	2357	2496	7.5	9.0	5.7	5.9
4. Transportation & Utilities	3823	4049	4344	4670	9.0	5.9	7.3	7.5
5. Trade	7337	7832	8395	9152	9.7	6.7	7.2	9.0
Wholesale	4168	4460	4767	5139	9.9	7.0	6.9	7.8
Retail	3169	3372	3628	4013	9.6	6.4	7.6	10.6
6. Finance, Ins. & Real Estate	2617	3080	3444	3723	19.3	17.7	11.8	8.1
7. Services	6323	7145	8010	8947	14.0	13.0	12.1	11.7
8. Other Industries	148	167	188	204	11.7	12.7	12.8	8.5
9. Government	3878	4250	4629	4965	8.2	9.6	8.9	7.3
Federal Civilian	1106	1170	1260	1352	9.8	5.8	7.7	7.3
Federal Military	223	230	231	243	3.5	3.0	0.4	5.2
State & Local	2549	2850	3138	3370	8.4	11.8	10.1	7.4
Plus:								
Property Income	5338	5578	5840	6372	8.6	4.5	4.7	9.1
Transfer Payments	3209	3417	3632	3879	8.0	6.5	6.3	6.8
Residence Adjustment	-1181	-1288	-1296	-1316	15.3	9.1	0.6	1.5
Less: Social Ins. Contributions	2001	2227	2431	2758	16.6	11.3	9.2	13.5
Equals: Total Personal Income	36364	39654	42619	45978	10.3	9.0	7.5	7.9
Nonfarm Personal Income	36261	39556	42512	45862	10.4	9.1	7.7	8.2
% of Georgia Nonfarm	48.92	49.49	50.07	50.50	---	---	---	---
Population (#,Thousands)	2472	2561	2645	2721	2.84	3.60	3.28	2.87

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Economic Forecasting Center
August 1987

Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-2	86-3	86-4	87-1(r)	87-2(p)	June(p)	86-2(r)	86-3(r)	86-4(r)	87-1(r)	87-2(p)	June(p)
Total	2657.6	2684.8	2717.9	2757.8	2746.4	2738.4	1319.6	1334.6	1360.9	1387.7	1384.6	1382.4
Mining	8.1	8.6	8.8	8.9	8.8	8.8	1.3	1.6	1.7	1.7	1.8	1.8
Contract Construction	153.1	157.2	162.1	164.5	155.7	154.0	75.6	78.5	83.7	85.6	79.0	77.1
Manufacturing	563.8	562.1	564.9	568.2	568.7	567.0	191.8	191.4	192.5	192.3	192.8	192.1
Durables	221.9	219.7	221.8	222.8	223.2	221.9	100.5	99.3	100.1	99.7	100.5	100.0
Lumber	34.9	34.2	34.9	35.0	34.4	34.3	5.1	5.1	5.3	5.3	5.1	5.1
Furniture	11.7	11.7	11.7	11.9	11.7	11.4	4.5	4.5	4.5	4.5	4.4	4.3
Stone, Clay, Glass	20.8	20.9	20.9	21.1	20.9	20.7	10.1	10.2	10.2	10.6	10.5	10.4
Primary Metals	15.1	15.4	15.2	15.4	15.4	15.2	6.1	6.7	6.7	6.7	6.7	6.7
Fabricated Metals	20.6	20.4	20.5	20.6	20.7	20.6	9.3	9.1	8.9	8.9	9.0	8.9
Nonelectrical Machinery	26.0	25.8	25.9	26.3	26.8	26.9	11.0	10.9	10.9	11.2	11.5	11.8
Electrical Machinery	29.5	29.2	29.0	29.7	29.6	29.3	15.8	15.3	15.1	15.2	15.5	15.4
Transportation Equipment	51.0	50.0	51.3	50.2	51.0	50.9	33.1	31.9	33.0	31.7	32.3	32.0
Other Durables	12.2	12.1	12.4	12.7	12.7	12.6	5.7	5.7	5.7	5.6	5.5	5.4
Nondurables	341.9	342.4	343.1	345.4	345.5	345.1	91.3	92.1	92.4	92.6	92.2	92.1
Food	60.3	60.8	61.0	61.4	60.5	60.5	21.9	22.0	21.9	21.8	21.8	21.9
Textiles	102.3	103.7	104.1	105.3	106.4	106.8	7.1	7.4	7.5	7.7	7.5	7.5
Apparel	70.0	69.4	69.1	69.8	69.5	68.8	12.6	12.3	12.1	12.0	11.8	11.6
Paper	31.1	30.9	31.2	31.3	31.0	30.9	9.0	9.0	9.1	9.3	9.4	9.4
Printing	36.5	36.7	37.2	37.2	37.4	37.4	23.2	23.4	23.7	23.8	23.9	23.9
Chemicals	19.2	19.3	19.0	18.7	18.5	18.5	9.4	9.7	9.9	9.8	9.5	9.5
Leather	1.6	1.4	1.3	1.2	1.3	1.3	---	---	---	---	---	---
Other Nondurables	20.9	20.2	20.3	20.6	21.0	20.9	8.3	8.3	8.3	8.3	8.4	8.3
Transportation, Comm. & Util	166.0	166.8	167.3	169.0	170.1	170.5	107.7	109.1	109.5	110.2	111.5	112.2
Trade	664.2	674.6	684.4	700.3	695.7	694.4	364.5	370.5	377.7	388.0	388.3	388.7
Wholesale	195.0	196.6	203.1	205.4	204.5	203.5	128.3	130.0	132.6	135.8	135.7	135.6
Retail	469.1	478.0	481.3	495.0	491.2	490.9	236.2	240.5	245.1	252.2	252.6	253.1
Finance, Ins. & Real Estate	144.0	146.8	149.1	150.7	149.5	149.2	93.8	95.2	96.6	97.7	97.5	97.3
Services	499.8	508.6	523.4	532.7	533.2	530.9	300.1	307.5	315.3	323.2	323.4	323.4
Government	458.6	460.0	458.0	463.4	464.8	463.6	184.8	180.8	183.9	189.0	190.3	189.8
Federal	95.8	95.2	96.1	97.1	97.1	96.9	39.5	39.1	39.6	40.2	41.2	41.2
State and Local	362.7	364.8	361.8	366.3	367.7	366.7	145.3	141.7	144.3	148.8	149.1	148.6
State	106.9	106.5	107.3	109.0	107.8	107.0	37.0	36.1	36.4	37.2	37.6	37.9
Local	255.9	258.3	254.5	257.3	259.9	259.7	108.3	105.6	107.9	111.6	111.5	110.7

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Table 6 Metro Atlanta Housing Permits for 1984 through 1986 with Forecasts through 1988

	1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	66	4	64	0	105	0	115	0
Cherokee	1446	28	1632	155	2450	265	1820	50	1950	50
Clayton	1088	717	1408	1424	1559	1832	1430	1050	1490	850
Cobb	5547	3669	5713	3003	5875	3922	5240	2860	5330	2640
DeKalb	2241	3951	2686	4302	3265	3647	2520	1870	2550	1720
Douglas	497	45	702	189	779	242	770	20	810	130
Fayette	----	----	692	0	822	15	980	0	1050	0
Forsyth	609	53	718	76	782	88	735	0	770	0
Fulton	2549	4010	3048	4143	3416	4259	2690	1200	2810	980
Gwinnett	5731	6401	6905	4112	5728	4062	5440	360	5710	510
Henry	656	192	899	126	1322	164	1640	240	1780	210
Newton	----	----	311	14	373	62	490	15	620	20
Paulding	----	----	718	0	927	6	1110	0	1170	0
Rockdale	608	214	692	120	1075	283	980	50	1030	170
Walton	----	----	286	0	343	0	445	0	600	0
Total	21039	19280	26476	17668	28780	18847	26395	7715	27785	7280
% Change From Previous Year			+22.7	-8.5	+8.7	+6.7	-8.3	-59.1	+5.3	-5.6
% Change in Total (single + multi)			+7.8		+7.9		-28.4		+2.8	
Estimated Potential Absorption (000)	40.6		48.0		44.5		42.2		36.9	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

Georgia State University
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Economic Forecasting Center
August 1987

Table 7

Atlanta Employment in 1992

	1986	1992	% Change	Annual Rate	Previous Annual Rate
Mining	1.5	2.0	33.3	4.9	1.3
Construction	78.4	91.6	16.8	2.6	2.6
Manufacturing	192.2	206.1	7.2	1.2	1.7
Durables:	100.6	107.4	6.8	1.1	2.0
Lumber	5.1	5.4	5.9	1.0	0.8
Furniture	4.5	4.9	8.9	1.4	1.0
Stone, Clay, Glass	10.2	10.8	5.9	1.0	1.2
Primary Metals	6.6	7.5	13.6	2.2	4.1
Fabricated Metals	9.2	9.8	6.5	1.1	1.7
Nonelectrical Machinery	11.0	14.4	30.9	4.6	2.3
Electrical Machinery	15.5	17.8	14.8	2.3	3.7
Transportation Equipment	32.9	30.8	-6.4	-1.1	1.6
Other Durables	5.7	6.0	5.3	0.9	0.0
Nondurables:	91.6	98.7	7.8	1.3	1.3
Food	21.9	23.2	5.9	1.0	1.4
Textiles	7.2	7.9	9.7	1.6	-2.8
Apparel	12.4	10.9	-12.1	-2.1	0.5
Paper	8.9	10.5	18.0	2.8	1.0
Printing	23.3	26.9	15.5	2.4	3.4
Chemicals	9.6	10.4	8.3	1.3	1.2
Other Nondurables	8.2	8.9	8.5	1.4	0.2
Transportation, Comm. & Utilities	108.4	123.1	13.6	2.1	2.5
Trade:	368.0	460.5	25.1	3.8	3.8
Wholesale	129.3	153.7	18.9	2.9	2.7
Retail	238.7	306.8	28.5	4.3	4.4
Finance, Ins. & Real Estate	94.4	115.7	22.6	3.4	3.9
Services	304.6	416.6	36.8	5.4	5.1
Government	183.5	218.3	19.0	2.9	2.9
Federal	39.4	46.3	17.5	2.7	3.1
State	36.4	42.7	17.3	2.7	1.6
Local	107.7	129.3	20.1	3.1	3.3
Total Wage & Salary	1331.0	1633.9	22.8	3.5	3.5
Population	2561	3083	20.4	3.14	3.34

Georgia State University
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Economic Forecasting Center
August 1987

Table 8 Atlanta Personal Income in 1992

	1986	1992	% Change	Annual Rate	Previous Estimated Growth Path
Labor & Proprietors' Income:					
1. Wage & Salary Income	29120	48914	68.0	9.0	9.0
2. Other Labor Income	2991	4348	45.4	6.4	7.3
3. Proprietors' Income:	2063	3383	64.0	8.6	8.5
Farm	80	107	33.8	5.0	6.2
Nonfarm	1983	3276	65.2	8.7	8.6
Labor & Proprietors' Income:					
1. Farm	98	131	33.7	5.0	6.4
2. Contract Construction	2172	3135	44.3	6.3	7.0
3. Manufacturing:	5381	7766	44.3	6.3	5.6
Durables	3151	4519	43.4	6.2	6.0
Nondurables	2230	3247	45.6	6.5	5.0
4. Transportation, Comm. & Utilities	4049	6177	52.6	7.3	7.8
5. Trade:	7832	12932	65.1	8.7	8.6
Wholesale	4460	7289	63.4	8.5	8.7
Retail	3372	5643	67.3	9.0	8.3
6. Finance, Insurance & Real Estate	3080	5618	82.4	10.5	11.2
7. Services	7145	13687	91.6	11.4	11.5
8. Other Industries	167	292	74.9	9.8	9.0
9. Government:	4250	6907	62.5	8.4	8.6
Federal Civilian	1170	1842	57.4	7.9	7.6
Federal Military	230	291	26.5	4.0	7.7
State & Local	2850	4774	67.5	9.0	9.0
Plus:					
Property Income	5578	8669	55.4	7.6	7.4
Transfer Payments	3417	5085	48.8	6.8	5.9
Residence Adjustment	-1288	-1375	----	---	---
Less: Social Ins. Contributions	2227	4354	95.5	11.8	11.8
Equals: Total Personal Income	39654	64670	63.1	8.5	8.3
Real Personal Income**	11431	13678	19.7	3.0	3.2
Atlanta CPI	346.8	472.8	36.3	5.3	5.0

** Assuming CPI rises 5.0% per year, adjusted to reflect difference from national purchasing power, and to eliminate CPI bias.

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